

Title: Immaterial Currencies and Foreign Payments: the monetary circuits

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ABSTRACT

Following Bernard Schmitt, Alvaro Cencini, Claude Gnos and other, in this paper I explain the differences between domestic and foreign payments in order to understand the existence of two different monetary circuits where credits and debits are instantaneously equal for every single payment.

As Keynes said, under bank money systems, the Balance of Payments is always in (monetary) equilibrium. Nobody can import anything without paying it (be it with borrowed funds). Equally, everybody paid in bank money automatically is debited to increase her/his bank account balance. Currencies are now immaterial, they do not exist 'outside' the banks' accounts, they cannot be hoarded. This is the meaning Keynes gave to his 'modern money', purely vehicular currency, not a golden relique.

If credits and debits are always equal in monetary payments, if bank money is purely vehicular, then monetary demand and supply are identical in each single payment so that there would be no possible external monetary disequilibrium.

In the present absence of International Monetary System, each country could preserve the two different monetary circuits by means of an adequate institutional arrangement which would coordinate domestic and foreign payments in order to avoid monetary disorder. Several policy implications would follow: the rate of exchange and the rate of interest could be safely fixed by national agents, international net capital flows would obey current account balances rather than interest rate differentials, economic policy coordination would be easier, ...