What will Happen to the Global Economy if BRICS Announce Launch of New Currency – Bricso?

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Peter Koenig, a former World Bank economist and a Voice of Russia regular, outlines one of the scenarios in which America's plans for a New World Order are broken.

This is the second part. The first part of the scenario is described here.

Next is a hypothetical unfolding of events. A dynamic system, as the move described above, would engender the possibility of a myriad of different developments. Here is a possible scenario.

In the ***next 24 hours*** the media runs amok. There was not much of a New Year's celebration in the Western Hemisphere. People were afraid. They were speculating what may happen. Some planned a run on the banks to withdraw their money, though not knowing what to do with it in a system that may collapse. They couldn't even convert their cash dollars and euros into *Bricsos*, as the *Bricso* was to be only a virtual currency. Some planned to convert their bank accounts into BRICS currencies. They would be safe. Others continued to trust the dollar, the existing system, no matter how defunct it was. They figured Washington will again find a solution to save them.

When the banks opened, ***48 hours after the announcement***, the western stock markets literally collapsed. They had to be closed for an indefinite period of time to salvage what hadn't been wiped out yet and to consolidate and control the damage.

Reality Check comment: Surely, the ***President's Working Group on Financial Markets*** *(aka "Plunge Protection Team") would intervene in the markets, but when everyone is trying to sell their holdings no intervention can keep the markets afloat. The size of the US financial markets (esp. financial derivatives markets) is in the hundreds of trillions of dollars dwarfing the US gross national product. There is no way to avert a collapse if the BRICS pull the rug from under the US market.*

At the same time, there was indeed a run on the banks. Some wanted to withdraw, others to convert their money. The resulting chaos made the authorities close the banks again. After ten days, people took to the streets. They had no cash left to buy food and other necessities. The banks opened again, first for a few hours per day with strict withdrawal limits.

Reality Check comment: There is nothing surreal or impossible in this scenario. Actually, we *can speculate that the US and EU banking systems have been preparing for a crisis of similar magnitude. The European "bail in" banking regulations and the Cyprus banking collapse are two examples of the West preparing for a generalized banking crisis.*

After ***a month***, as lines behind the counters got longer instead of subsiding, some European governments considered, especially the weaker Eurozone countries, to exit the Euro, revert to their former currencies and to nationalize their banks. This move would allow them to print their own money, stimulate their local economy with a national banking system for local production and internal consumption, thereby creating jobs – restoring confidence in society.

Reality Check comment: In this highly plausible scenario the IMF, European Commission and World Trade Organization (WTO) would be powerless with their likely sanctions, such as capital controls, international trade blockade, or a 'financial marshal law' to stabilize the illusionary 'markets' – simply because the markets would indeed be illusionary, since those countries which decided to exit the Euro and progress to local production for local consumptions have decided to get rid of their corrupted leaders and chose their own way of recovery. See Argentina after the 2001 collapse.

The US indeed ordered the IMF to re-introduce the gold standard at an arbitrary rate of US$ 2,000 / oz. and with a 'debt-equity' ratio of 10:1, meaning that a country's outstanding debt or unmet obligations, as is the case in the US, could be ten time higher than the gold coverage of its circulating money mass.

To protect the interests of the dollar economy, the IMF in unison with the BIS – Bank for International Settlement, the *de facto* central bank of central banks, also the presumed largest gold depository of the Western economy, introduced strict rules for countries that decided to follow the new gold standard. For example, *Quantitative Easing* – QE – a euphemism for printing money – was strictly controlled for the US dollar as well as for the Euro. The 10:1 ratio was not to be exceeded. Banks were again divided between investment banks and the traditional commercial banking, effectively bringing back the *Glass–Steagall Act* – that Bill Clinton declared 'dead' in 1998.

Reality Check comment: Basically, in this scenario, the BRICS countries forced the US to swallow the bitter pill of tough economic measures. Washington would have never accepted a limit on their "printing rights" unless it was forced to. Somewhat paradoxically, a brutal financial attack from the outside world may be necessary to make the US go back to a saner form of economy.

The Gulf State oil producers rushed to convert their dollar reserves into *Bricsos* – some into euros, as they didn't trust the BRICS. Of course, by the time the banks opened, the dollar had already lost about two thirds of its value vis-à-vis the Euro and the British Pound. The current loss from conversion into *Bricsos* would be even higher, but who knows what will happen to the Euro. Will the Eurozone stick together? – Fall apart? – Chose different alliances – maybe migrating towards the BRICS system?

Six months down the road, Greece, Spain, Portugal, Italy and Ireland had chosen to exit the Eurozone and to restart their economy with their local currencies; some of them quietly seeking an alliance with the BRICS. The Eastern European and Central Asian countries which recently acquired Eurozone status were in a dilemma: they desperately wanted to belong to the Western monetary system, but in trade they were closer to Russia and China, key partners of the BRICS. Their state of limbo would create internal unrest – parts of the population still identified with the former Soviet Union, others tried to stubbornly adhere to the dollar system, no matter how defunct it was.

Reality Check comment: One important consequence of this scenario is that political leaders around the world will see that the change is possible. The mere sight of the BRICS' actions should have a liberating effect on the mindset of national leaders who grew accustomed to the idea that American economic hegemony is eternal and invulnerable. In this scenario, the Eurozone breakup becomes almost inevitable because the mechanisms of economic coercion employed by the European Commission will be "jammed" by the ensuing crisis. Without firing a single shot, the BRICS and their allies can start a chain reaction of financial liberation in Europe and around the world.

Western stock markets had opened again a few months earlier, but were trading cautiously, with firm limitations. Speculative buying *long* or *short* was prohibited. Stock market listed companies and corporations were carefully analyzed as to the extent of their autonomy within the '*Western markets'* – vs. dealing with the BRICS market.

What was left of the globalized *Western 'market economy'* was limping along. Many were in doubt whether they should remain faithful to a system that has let them down. Some thought to diversify into the BRICS domain, as they saw the long-term gains in a sounder and more just economy.

On the other hand, the BRICS and its two associate members, Iran and Venezuela, recovered rapidly from the first shock, as their new strong currency gave them a boost vis-à-vis the other half of the world economy which was still teetering on the dollar with some backing of the Euro.

Reality Check comment: In this scenario the BRICS would work hard to develop their internal market(s) in order to compensate the reduction of demand from the decaying western economies. Internal market development coupled with efforts to satisfy the internal demand with internally produced goods has created a virtuous cycle of sustainable economic development.

Within the first year, Indonesia and Malaysia joined the BRICS alliance. The BRICS market grew almost exponentially, not only in production and consumption, but also in research, especially for alternative, renewable sources of energy – a policy promised by the BRICS Presidents at their Press Conference in Paris on New Year's Eve 2014. Freedom from fossil fuels meant also political autonomy and a path towards real democracy and well-being. Food self-sufficiency for the BRICS and their allies will be achieved from day one. The West won't be able to jack up the prices for food commodities (markets crashed, lack of speculative capital). This will reduce the price of food worldwide. At the same time, the people in the West won't be able to consume as much as they did before 2014, making the food available to the whole non-western world at bargain prices.

Reality Check comment: This scenario creates the perfect environment for a "BRICS Renaissance" or "reverse brain-drain". For decades, the West has bought off the smartest and the best educated from around the world. In this scenario, the process has been reversed. Within the first year scientists began flocking to the banners of BRICS research institutions.

The new BRICS system became increasingly attractive even for those still adhering to the traditional, gold revamped ‘dollar-euro economy’. As more of the richer, more prestigious – and remaining – Euro countries, Germany, France, The Netherlands, Finland, Sweden, Denmark – saw the benefits of trading with the BRICS system, the Euro became gradually a *constant* in trading with the BRICS market.

By early 2015, negotiations began to make the Euro part of the ***Bricso*** basket.

Reality Check comment: Hard feelings between politicians can’t cancel objective economic needs. Europeans needed to sell their exports to the BRICS countries and needed to buy the hydrocarbons – while waiting for viable renewable energies to become marketable. Eventually, they got used with the new system even if they didn’t like it.

At the ***beginning of 2015*** the *Shanghai Oil Bourse* was in full bloom. It traded trillions of *Bricsos*, not only from BRICS and associate countries, but from all over the world. Hydrocarbon producers realized that the *Bricso* was a stable currency, offering more long-term security then dealing in dollars. Hydrocarbon trading in dollars gradually subsided.

In addition, the SOB member countries agreed on levying an energy tax – one per-mil (0.1%) of the daily volume of trade – to fund research and investments for alternative renewable energies.

Reality Check comment: Besides providing a steady stream of financing for energy related research, such a tax is a wonderful damper for excessive volatility. In the West, financial oligarchy has always blocked any attempt to introduce a “transaction tax” or a “Tobin tax” on financial transactions. BRICS countries have the luxury to introduce financial safety measures that are impossible in the countries controlled by financial parasites.

The exchange rate of the gold-backed dollar tended to fluctuate significantly. Gold as the backbone of the dollar based Western economy was vulnerable to speculation. Even though the exchange rate to the dollar and associated currencies was fixed, speculative fluctuations influenced the conversion rates of the gold-dependent currencies – demonstrating the psychological factor of instability. Nobody was really sure if and when the IMF would decide on another gold-dollar parity rate. This could happen any time, since the IMF was still a mere extension of the US Treasury.

Reality Check comment: This is a very important aspect that most of the “gold bugs” get wrong. The return of the gold standard doesn’t mean that the existing financial oligarchy will lose its grip on the American and European financial systems. The method of control may require adjustment but nothing will change if the whole financial infrastructure (i.e. the banks, the clearing houses, the exchanges) remains under the control of the same old financial clique. The gold standard per se is not a “silver bullet” for the global economic problems. A deeper reform is a needed.

The artificially inflated speculative value of gold was gradually falling towards its real intrinsic value. It still may take a while until the value of gold – which cannot be eaten in times of crisis – would end up at its mere industrial value. Gold has had a long-lasting tradition and thousands of years of history as one of the most precious metals, measuring the wealth of kings and czars. It will take a new way of thinking, new generations, to realize that what really counts are not primarily material values but cooperation, solidarity and peace among people. Material values always tend to interfere with these sustainable human values.

On the other hand, the *Bricso* had by now, ***early 2015***, the solid backing of 9 nations, the economies of the five BRICS, plus those of Iran, Venezuela, Indonesia and Malaysia. – Mongolia, with a fast growing economy – about 10% per year – was also envisaging coming closer to the BRICS.

Reality Check comment: In a contest between a gold standard and a properly managed fiat standard, the fiat monetary system will win because few people will agree to replace the banking clique with a clique of the world's biggest mining companies.

As more countries tended to trade in *Bricsos*, the currency gained in strength. It became a solid reserve and reference currency for many non-BRICS countries. The energy tax was popular and its use transparent. It was a trend-setter for a different way of thinking. ***From 2015 / 2016 forward***, protection of the environment and a life more integrated into nature with more social justice, using what nature had to offer without destroying it, became increasingly ingrained in the minds of people. These concepts were also reflected in teachings and culture.

Reality Check comment: The main change achieved through this financial and economic maneuvering is a "paradigm switch". The world's economy must embrace the ideology of "innovation without financialization". The current economic structure has an unnatural tilt or bias towards financial markets that tend to dominate over the traditional industrial economy and agricultural economics. Boosting innovation and curbing financialization is the key to a stable, sustainable and equitable economy.

From about 2020 onwards a shift from material to human life values became noticeable. A healthy environment, protection of species and resources became progressively important. A solid education and health services for all became important. The value of economies was no longer just linear, material and measurable growth – the old GDP – but included also – and to an ever-growing degree – values of well-being, such as capability of conflict resolution and living in harmony with each other and the environment.

What the BRICS had started in 2014 was perhaps a utopia – a new monetary and economic system, detached from wars and conflicts for greed, striving for peace and equality. There was no way to predict its outcome – other than faith that with political will the utopia might succeed.

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Read more: http://voiceofrussia.com/2013_10_10/What-will-happen-to-global-economy-if-BRICS-announce-launch-of-new-currency-Bricso-II-7859/

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