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Multiple Exchange Theory: Need to Change IMF System[1]

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This study discusses global golden map to handle global liquidity gap. Further, it discusses 3rd Central Bank to effectively apply golden policy. Reason for applying golden policy is based on IMF system. IMF system is based on golden-dollar relations. However, that system is not run enough effectively due to multiple parity and multiple exchange system in global economy. In order to effectively apply multiple parity and multiple exchange system, it needs 3rd Central Bank, it is Asia Central Bank. Otherwise, global economy might go to severe liquidity problem and gap that may create conditions severe than 1929 Case.

Keywords: golden policy, multiple exchange, IMF, Asia Central Bank

Introduction

To stop global economy from upcoming crises, this study aims to draw European Golden Map to effectively apply monetary policy. Because European economy supports total demand in global economy in 3 markets: USA, Africa, and Asia. Therefore, if European economy has economic crises, those three markets or global economy goes to crises.

On the other hand, inflation rate in USA economy is heavily in crising due to over liquidity in markets. This is another variation to apply monetary policy according to European Golden Map.

European or Global Golden Map: Financialization

To stop crises, to increase total demand, and to apply effective monetary policy, authorities should draw Golden Map or European Golden Map. There are three centers in European golden map: Germany, Switzerland, and Dutch. Golden stock in Europe is collected in these markets.

Germany's stock is dependent to European Central Bank (ECB). However, Switzerland's stock is independent from ECB. ECB may apply monetary policy based on those golden accounts, i.e., ECB may issue Euro's based on those golden accounts for European markets. Scale of Euro/golden is might be 1/15scale. i.e., for 1 unit golden, ECB may issue 10 units Euro. That monetary policy may be applied for EU economy in every once 10 months. European Golden Map might base on golden/money-product relations. Volatility (V, T of Fisher) determines golden stock in an economy. So, whatever EU has golden stock, ECB penetrates money into markets, and products penetration follows monetary. Therefore, EU monetary authouroties, firstly, determines golden map, then penetrates money into markets, then issue products equals to monetary level. That policy might hinder increase of price level, inflation.

[1]Economics World, New York.
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Other goldens in global economy may accumulated in China or Japan. Therefore, China or 3rd Central Banks are to be established in China to apply monetary. It may be Asian Central Bank. Asian Central Bank would create Euro-juan relations and multiple parity in global economy.

European Corporate Finance

Principles of European Corporate Finance:

- ECB oriented. European Corporate Finance may be achieved through policies of ECB.
- Asset Management held by ECB. ECB buys assets from European corporates. That policy is integrated with European Golden Map policy. Accordingly, European Golden Map monetary policy finances ECB, and ECB buys assets from the corporate's via this finance.
- Monetary system in global economy, FOMC, is based on bond relations.
- So, golden relation in global economy may establish bond-asset relations in corporate finance.

Need to Change IMF System: Need for Asia Central Bank

American authorities uses IMF current system in monetary. When this system is stucked, so crises or recession begins in American economy. Therefore, to effectively apply monetary policy in global economy IMF's system are need to be changed.

New system is based on multiple currency and multiple parity. Multiple currency system and multiple parity system establish multiple exchange theory. IMF system is based on golden and Euro-dollar relations, however those relation is not enough in global economy for monetary. Because there is Euro-juan and African currency anymore. So, multiple currency includes Euro, dollar, juan, and African currencies. Multiple parity is Euro-dollar, Euro-juan and African monetary relations. What would be the golden in new system? Therefore, global economy strongly needs third central bank, it is Asian Central Bank to implement multiple exchange theory. Multiple Exchange Theory might depend on golden/money (euro, dollar, juan, other)-products relations. That policy may stop increase in inflation.

Value of other currencies in IMF is determined by golden and Euro-dollar relation. But in new multiple parity, value of other currencies may be determined according to multiple parity system, i.e., not only Euro, dollar but also juan and Africa.

USA authourities currently apply IS-LM policy together with money. Money becomes capital for IS-LM investments, and this capital is created by tax payments. Money is monetarism, and IS-LM is Keynesian. However, golden/money-product relation in monetary is more proper for Europe and Turkey. That policy may decrease inflation rate. Golden/monetary-product relations may, currently, set multiple exchange theory in this paper as proposition.

Conclusion

There are two causes of higher inflation in global economy: USA economy liquidity level and European PMI data level. Those liquidity levels have an impact on global inflation rate. Money gets into global markets from USA economy and European economy due to higher liquidity. That over-monetary increases inflation rate. How can monetary authourities decrease liquidity levels? Answer might be infrastructure investments. For instance, European PMI level is 65% that result in over-money supply into global markets.

Inflation appears in global economy. Raw materials price, commodity price, food price and finally core inflation began to raise. It might be the danger because what would be the price of products? Cause of higher inflation might be the lessening of demand. In order to pay cost of production factors (esp., wage of workers), firms may be increase price of their products including raw materials. Therefore, in global economy there is hyper inflation rise due to raw material, spare parts, and labor costs.

Outcome of increasing inflation might be golden and conditions of Germany in 1924. War compensation resulted in hyperinflation in Germany. Keynes wrote a book after World War 1st that mentions for Economic Consequences of the Peace. Hence, former IMF or UN made golden helped to Germany, and hyper inflation becomes below 10%. In Bolivia during 1980s, 25.000% inflation appeared in macro economy. Bolivia government applied Baker Plan that suggests balanced budget, soon inflation becomes 10%.

What if hyper inflation appears in global economy currently? Economies might adopt Germany and Bolivia policy to get her simultaneously.

Further, in European economy Euro-dollar value is sharply decreasing due to demand problem. The danger might be if EU economy collapses, it may be spread to USA economy.

Thus, golden help may save EU economy (Uysal, 2020, p. 27). As mentioned above, there are two golden centers in EU economy, Frankfurth and Switzerland. So, IMF authoroties make golden help to Switzerland, and Switzerland authorities issue Euro. In addition, monetary authorities are to be curious about balance between liquidity enlargement or liquidity gap. i.e. this study questions whether Switzerland becomes golden center in global economy in global golden map. However, to apply this policy, it needs 3rd Central Bank, Asia Central Bank.

References

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