Volume 1

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Les Actes du Premier Congrès des Économistes Africains

Towards a Single African Currency

Vers la Création d'une Monnaie Unique Africaine

2-4 March | mars 2009

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Editorial Board

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UNION MONÉTAIRE ET CONVERGENCE:

Efficacité dans les échanges et souveraineté africaine

Par Dr. Yves Ekoué AMAÏZO, Afrology Think Tank

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RESUME

Le faible niveau des échanges intrarégionaux africains, les frais de transactions bancaires non compétitifs et la petite corruption sur les axes de communication font, entre autres, augmenter l'écart entre les déclarations et les actes des autorités politiques et monétaires africaines. Les monnaies nationales africaines, fragmentées dans des espaces monétaires parcellaires, deviennent des contraintes à la libre circulation des biens, des services, des hommes et du capital. Une période de transition est nécessaire pour réussir une harmonisation et une convergence des pratiques et des signes monétaires. Cela aura pour avantage d'améliorer la compétitivité des entreprises africaines, de soutenir une meilleure gouvernance des affaires publiques et d'augmenter le commerce intrarégional. Les monnaies et les institutions africaines doivent accompagner l'évolution des échanges intra et extra-africains sans augmenter les contraintes, tout en concourant à la recherche d'une efficience collective de l'économie africaine.

Il est proposé d'évoluer vers une monnaie par sous-régions africaines en optant pour une convergence monétaire, puis vers une fusion des monnaies disparates en une monnaie commune sur la base d'un régime de taux de change fixe. Le poids des monnaies sera déterminé en fonction du poids économique de chacun des pays. Pour faciliter les échanges internationaux avec les économies hors espace monétaire africain et soutenir les termes de l'échange, il est suggéré d'adopter un système de taux de change flottant pour préserver la souveraineté monétaire africaine et assurer un meilleur équilibre des fluctuations monétaires. L'innovation consiste à arrimer une future monnaie commune africaine sous-régionale, puis continentale, sur un panier de monnaies composé de l'Euro, du dollar américain et du Yuan chinois. Avec la formation d'unions monétaires fiables et viables, il est question de retrouver une souveraineté monétaire, et donc la liberté d'agir en Afrique au service des populations africaines.

MOTS-CLES *Afrique - monnaie commune - convergence monétaire - économie réelle - espace monétaire - monnaie de référence et d'arrimage - union monétaire*

RESUME ANALYTIQUE La multiplicité des monnaies africaines devient progressivement une majeure contrainte à la libre circulation des biens, des services et du capital. La fragmentation des espaces monétaires réduit substantiellement le rôle d'équivalent général de la monnaie dans les transactions. En réalité, c'est bien le faible niveau des échanges intrarégionaux africains, les frais de transactions bancaires non-compétitifs et la petite corruption sur les axes de communication qui font, entre autres, augmenter l'écart entre les déclarations et les actes des autorités politiques et économiques.

Les espaces monétaires africains, du fait de l'absence de souveraineté collective, ne sont pas considérés dans ce document comme des unions monétaires. Ils ne peuvent évoluer en l'état vers une monnaie commune d'ici à l'an 2023 uniquement sur décision des chefs d'Etats membres de l'Union africaine. Le rôle de la monnaie dans la création de la valeur ajoutée met en exergue la nécessité d'une période de transition où harmonisation, convergence, amélioration de la compétitivité des entreprises africaines, meilleure gouvernance des affaires publiques et commerce intrarégional doivent retrouver leur fonction première. La monnaie ne peut qu'accompagner les échanges. Elle doit assurer son rôle d'intermédiation et d'équivalent général sans devenir une contrainte nouvelle. Les institutions monétaires, elles-aussi, organisées de manière parcellaire entre zones francophones et anglophones, doivent être reconsidérées à la lumière de la recherche d'une efficience collective de l'économie africaine.

A l'instar des expériences de l'Union monétaire européenne, la formation des espaces monétaires africains devrait passer par une période de transition avec des harmonisations et des convergences au niveau sous-régional. Ainsi la monnaie d'une future union monétaire devra servir d'une part, à faire progresser la production et les échanges intra-régionaux, et d'autre part à faciliter, sans manques à gagner, les échanges extrarégionaux. A ce titre, la monnaie de référence dans un premier temps pourrait être celle d'une pondération d'un panier de monnaies basées sur les trois monnaies des principaux partenaires internationaux.

L'inconvénient majeur de la situation actuelle africaine se retrouve dans les contraintes aux échanges avec des coûts relativement élevés pour faire des affaires en Afrique. L'avantage d'évoluer vers des espaces monétaires homogènes et souverains permettra de faire de la monnaie un outil de levier et de robustesse de la croissance économique africaine. Celle-ci a commencé à montrer des signes de pérennisation avec des taux de croissance largement au-dessus de ceux des pays occidentaux. Les modalités de mise en œuvre, outre une véritable volonté collective des responsables politiques et économiques du continent, sont multiples.

A partir de l'expérience de l'Union européenne notamment l'eurozone, il est proposé d'atteindre l'union monétaire par la négociation basée sur des analyses économiques et des volontés de solidarité intrarégionale. L'indépendance de la Banque centrale européenne dans la gestion d'une monnaie commune et unique et la politique monétaire régionale ont été considérées comme une bonne pratique à intégrer dans les approches africaines. Il ne faut pas s'étonner que pour faire respecter la discipline, il a fallu un pacte de stabilité monétaire qui a été largement observé. La question reste posée de la volonté des dirigeants des différents espaces monétaires africains de se surveiller mutuellement pour atteindre ce résultat sur le continent.

Il est proposé d'évoluer vers une seule monnaie dans chacune des sous-régions sur la base d'une convergence monétaire, puis d'une fusion des monnaies disparates en une monnaie commune sur la base d'un régime de taux de change fixe. Le poids des monnaies sera déterminé en fonction du poids économique du pays, calculé sur au moins deux décades avec des possibilités de pondération pour prendre en compte les solidarités intrinsèques à la sous-région. En parallèle et alors que cet espace monétaire sera en voie de stabilisation grâce à des respects de critères de convergence adaptés et reposant sur un système de surveillance mutuelle par les pairs, il importe alors d'adopter un système de taux de change flottant vis-à-vis du monde extérieur pour conserver sa souveraineté monétaire. Afin de préserver les termes de l'échange et assurer une stabilité dans les échanges internationaux, il est proposé d'arrimer la monnaie commune africaine sous-régionale, puis continentale, sur un panier de monnaies composé de l'Euro, du dollar américain et du Yuan chinois. En effet, le volume des échanges avec les pays asiatiques est en forte progression, celui avec les pays d'Amérique latine suivra une progression similaire dans les années à venir et l'Afrique doit anticiper ce changement stratégique.

Les monnaies communes sous-régionales pourront alors converger à terme vers une monnaie commune africaine sans précipitation, ni prudence excessive qui semble caractériser la situation actuelle. Il importe de ne pas imposer de monnaie unique au cours de la période de transition qui peut s'étaler sur une quinzaine d'années puisque les adhésions des pays et les cessions de subsidiarité des autorités monétaires nationales se feront librement, vraisemblablement de manière coordonnée avec un premier groupe de pays, puis graduellement par cercles concentriques avec les autres pays adhérents.

Les institutions monétaires actuelles ne peuvent plus continuer à organiser l'avenir de l'Afrique à partir de considérations suggérées d'ailleurs. Il s'agit de rentrer dans un processus qui va bien au-delà de la simple création monétaire. Il s'agit de créer des espaces monétaires viables qui devraient soutenir une meilleure efficacité dans l'intégration des économies africaines entre elles, avec une priorité au commerce intrarégional. Cette économie de proximité suppose que l'Afrique ne se contente pas d'organiser la création de nouvelles institutions monétaires, prélude à la création d'une banque centrale régionale, et demain continentale, mais se dote aussi d'un véritable instrument d'anticipation au travers d'un Fonds monétaire africain. Celui-ci devra assurer la surveillance mutuelle des pairs et soutenir les déséquilibres de balances de paiements dans le cadre de la solidarité africaine. A défaut, la monnaie commune africaine risque de ne pas voir le jour comme prévu et la banque centrale africaine qui en serait garante risque de rencontrer des difficultés pour s'affranchir de la servitude monétaire. Avec la formation d'unions monétaires fiables et viables, il est question de retrouver une souveraineté monétaire, et donc la liberté d'agir en Afrique au service des populations africaines.

INTRODUCTION: COOPERATION MONETAIRE NON-OPTIMALE EN AFRIQUE

Lorsque l'Afrique n'est pas invitée à participer à la première des conférences (15 novembre 2008) du G20 où pays riches et émergents tentent d'abord d'éponger la dette générée par la crise financière de septembre 2008, les dirigeants africains crient au scandale[1]. Mais il n'était nullement question d'aller «*quémander*» de l'argent au G20. Il était plus question pour les organisateurs du G20 de demander à des pays crédibles, au plan de la monnaie, de contribuer à éponger la dette des excès du néolibéralisme et du non respect des règles prudentielles bancaires. En réalité, l'Afrique collectivement ne dispose pas d'un excédent budgétaire et de réserves conséquentes. Les effets d'entraînement d'un taux de croissance économique de l'Afrique subsaharienne de près de 5 % depuis plusieurs années ne sont pas suffisants pour répondre à une demande de crédit des pays riches qui rentrent en récession en 2009 (voir annexe 4).

L'Afrique doit s'attacher à réorganiser sa crédibilité monétaire en accélérant l'harmonisation et la convergence de la plupart des critères macro-économiques. La coopération entre des Etats africains qualifiés parfois d'Etats défaillants sur le plan économique, d'économies organisées en fonction des recettes instables imposées par les termes de l'échange (voir annexe 6) et une absence de productivité ou encore d'Etats dépendants des variations climatiques est jonchée de contraintes auxquelles s'ajoutent celles posées par des monnaies africaines parcellaires, non-intégrées, image d'une coopération monétaire continentale non optimale.

D'importantes incohérences existent entre d'une part, le niveau continental et sous-régional et d'autre part, le national et le sous-régional. Les définitions des tâches entres les institutions financières et monétaires existantes et celles en création ou à créer ne sont pas toujours clarifiées. Il faut nécessairement revoir les stratégies, les concepts, les méthodologies sur les critères et le calendrier de mise en œuvre, régulièrement mis à l'épreuve par un report systémique. La double ou triple appartenance à des espaces monétaires, outre les incohérences au plan des statistiques, pourrait ne pas poser de problème si les pays s'acquittaient des obligations qu'ils ont souscrites. Les difficultés sur le terrain de laisser les personnes, les biens, les services et le capital circuler librement dans les zones d'intégration reconnues rappellent que l'économie et la monnaie ne sont que les pâles reflets du respect des engagements politiques sur le terrain. A cette défaillance viennent s'ajouter des problèmes intrinsèques de la monnaie et sa gouvernance en Afrique. Le défi de la convergence au niveau continental et sous-régional pose à nouveau le problème de la volonté effective des autorités politiques à faciliter la mise en place d'un vrai processus structuré de coopération et de solidarité productives au service des populations africaines.

Les grandes disparités dans les régimes de change en vigueur sont souvent proportionnellement équivalentes aux différences de niveaux d'influence économique, et par extension de développement, des pays africains. Aucun espace monétaire n'est parvenu rapidement à l'unité monétaire sans sacrifice. L'Union européenne s'est appuyée au départ sur onze des pays les plus disciplinés monétairement et a réussi graduellement et en parallèle avec la structuration et l'harmonisation de son marché unique intérieur, à créer sa monnaie commune et unique ainsi que la Banque centrale européenne émettant l'étalon monétaire Euro. L'Afrique avec 54 Etats ne peut qu'avancer par étapes en créant à partir des expériences diverses, son mode de création du processus de construction d'espaces monétaires viables qui auront vocation, à terme, de devenir des unions monétaires africaines. Leur intégration au niveau continental suppose un réel engagement sur les délégations de pouvoir et le respect de la subsidiarité. C'est à cet apprentissage que les Africains sont appelés à adhérer pour trouver des solutions africaines aux problèmes des Africains au plan monétaire et financier. Le mimétisme institutionnel a conduit à des erreurs probantes. La non-action, synonyme parfois d'avancée prudente, pourrait se révéler trompeuse et marginaliser à nouveau l'Afrique par défaut de propositions innovantes, de discours répétitifs sur les demandes récurrentes d'obtention de l'aide au développement. Avec des pays riches subissant une crise économique sérieuse, une récession qui risque de durer plus longtemps que prévue, l'Afrique se doit de réduire au minimum les contraintes que pose la multiplicité des signes monétaires en Afrique dont l'apport au bien-être des Africains reste bien hypothétique pour ne pas dire mitigé.

En attendant que chaque sous-région puisse avancer effectivement sur les six principales étapes de l'intégration économique optimale[2] (voir annexe 7), il importe de réfléchir sur les options innovatrices qui pourraient permettre de faire avancer l'Afrique vers une union monétaire continentale à terme.

L'Eurozone constitue l'union économique et monétaire la plus importante actuellement au plan mondial. Il est possible d'identifier trois phases au cours d'une période variant entre 37 ans selon que l'on compte à partir de 1971, date de la fin de la convertibilité du dollar, ou 16 ans, avec 1992 comme date de démarrage de l'union monétaire européenne. Les responsables politiques africains ont fixé à 2028, la mise en œuvre effective de l'union économique et monétaire africaine[3]. Il existe plusieurs unions économiques en Afrique, toutes à des phases différentes d'avancement ou de planification. L'Union économique et monétaire de la communauté économique des Etats de l'Afrique de l'Ouest existe, celle de la Communauté des Etats de l'Afrique de l'Est (EAC) devrait voir le jour en 2009, celle de la Communauté des Etats de l'Afrique australe (SADC) en 2016…

L'Union monétaire est un espace où plusieurs pays partagent en commun une même et unique devise. La notion d'union économique intègre les politiques économiques alors que l'union monétaire se limite à l'harmonisation des aspects monétaires. On parle aussi pour les unions strictement monétaires de zone monétaire comme la zone franc dans laquelle on retrouve à l'ouest par exemple l'union monétaire ouest-africaine (UMOA), au Centre, la Communauté Économique et Monétaire de l'Afrique Centrale (CEMAC), toutes deux ayant comme étalon monétaire le CFA arrimé à l'Euro par un taux fixe. En dehors de l'espace francophone, la zone monétaire d'Afrique de l'ouest se propose à l'intérieur de la Communauté économique et de développement des Etats de l'Afrique de l'Ouest (CEDEAO) de lancer une monnaie commune dénommée Eco en 2009 après deux tentatives de reports de date. Enfin, la COMESA s'est fixé 2025 comme date butoir pour créer son union monétaire.

Il était nécessaire de revoir la notion d'espace monétaire dans le contexte africain, terme qui a été préféré à «*union monétaire*» et de mettre en exergue quelques avantages et inconvénients pour les pays africains. L'importance des erreurs passées se mesure à l'aune du manque d'innovation dans les propositions africaines et dans le mimétisme institutionnel avec l'Union européenne; cela semble neutraliser le courage et l'innovation dans le domaine monétaire. Il va de soit que nul ne pourra plus avancer sans les harmonisations et convergences monétaires.

Le profil commercial des pays africains est en train de changer, de manière asymétrique d'ailleurs en faveur des pays asiatiques. Les conséquences sur le choix des monnaies pour arrimer une future monnaie commune seront présentées non sans considérer ce qui a été fait dans l'évolution de l'union économique et monétaire européenne. La question reste posée: est-ce que les économies africaines doivent converger au niveau sous-régional ou continental ou encore en même temps, avant l'adoption d'une monnaie commune africaine ? Faut-il préférer la notion de monnaie commune à celle de monnaie unique ? Que dire des nécessaires harmonisations des politiques sectorielles régionales ou encore des statistiques économiques ? Rien d'autre que leurs absences constitue une véritable contrainte qui freine les analyses éclairées et donc l'agilité et l'anticipation dans les réactions des autorités africaines face aux crises impliquant la monnaie.

Deux chapitres permettront de clarifier les approches que le Continent pourrait adopter pour accélérer l'avènement d'une monnaie commune dans chacune des sous-régions africaines, lesquelles gagneraient à être regroupées, et une monnaie unique au niveau continental.

MONNAIE: S'ARRIMER A L'ECONOMIE REELLE

Depuis 1963, il est question pour les institutions de l'Union africaine de faire avancer l'intégration continentale. Pour ce faire la monnaie constitue un outil privilégié. Bien qu'un espace monétaire intégré, considéré comme une union monétaire, peut recéler de nombreuses opportunités pour les acteurs économiques notamment en réduisant le coût du capital, du crédit, des transactions financières et même de la spéculation, il reste vrai que les efforts ne peuvent s'éloigner des préoccupations des populations et donc de l'économie réelle.

Organiser une intégration économique alors que certaines économies de la zone sont très puissantes et influentes comme le Nigéria en Afrique de l'Ouest ou l'Afrique du Sud en Afrique australe tend à décourager plus d'un. En effet, les pays locomotives semblent, au premier abord, profiter plus de l'intégration du fait de leur compétitivité, de l'avantage d'avoir un marché intérieur large disposant d'un pouvoir d'achat important. Mais c'est oublier qu'une intégration est une œuvre collective où discipline monétaire et solidarité doivent retrouver leurs lettres de noblesse dans le cadre de la culture africaine.

Aussi le rythme d'intégration peut diverger d'un espace régional à l'autre et ne doit en aucun cas constituer un handicap. Même la volonté d'aller vers l'unité continentale sans passer par les unités régionales peut sembler intéressante, sauf que cette dynamique là ne se décrète pas, surtout si le secteur privé, les infrastructures et la mise à disposition de l'énergie font défaut et ont régulièrement été marginalisés dans les priorités économiques, que ce soit par les dirigeants politiques eux-mêmes, ou que ce soit par les grandes agences de Bretton-Woods et les agences bilatérales qui avaient d'autres objectifs, et ne semblent pas fondamentalement les avoir changés. Le régional et le continental sont tous deux indispensables et doivent aller de pair. L'asymétrie dans la diversité n'est pas antinomique à la dynamique de l'intégration sauf si la volonté n'y est pas.

C'est en recherchant des économies d'échelle et donc en promouvant les capacités productives endogènes pour un marché intrarégional africain que progressivement l'Afrique pourra bénéficier des opportunités offertes par l'intégration monétaire et régionale. Mais pour faire face aux crises diverses, alimentaires, énergétiques ou financières, l'intégration monétaire doit reposer sur un processus robuste, celui qui permet d'aller vers une union monétaire optimale. Cela ne peut se faire sans une indépendance des banques centrales et une maîtrise de la souveraineté africaine sur l'inflation, le déficit budgétaire et le taux de change.

En filigrane, il faut faire preuve de réalisme sans faire du «surplace». Bref, il faut arrimer le processus de création d'une monnaie commune à l'économie réelle et servir d'abord l'ensemble de la population dans des conditions de neutralité exemplaires. Pour aider à comprendre le phénomène, deux aspects principaux seront abordés dans cette partie du document:

Monnaie: servir d'abord une économie réelle;

Monnaie commune: quelles monnaies de référence et d'arrimage ?

Monnaie: Servir d'abord une économie réelle

Suite à l'une des crises de la finance immatérielle des plus graves depuis les années 30 qui est intervenue au troisième trimestre de 2008 sur les marchés financiers, l'économie réelle mondiale est en train de subir une récession importante. Celle-ci se décline sous forme d'un ralentissement de la croissance mondiale avec des poches de récession dans les pays industrialisés et un affaiblissement de la croissance économique notamment du produit intérieur brut (PIB) dans les pays émergents (annexe 4). En Afrique, les effets collatéraux de la crise financière ont conduit à des replis du PIB dans la plupart des pays africains selon qu'ils sont ou pas exportateurs nets de matières premières dont les cours ont connu une croissance persistante ces dernières années avant des réajustements spectaculaires, comme dans le cas du pétrole passant d'un plafond de 150 $US par baril (à la mi-octobre 2008) à un faux plancher de 50 $ US par baril (à la mi-novembre 2008). Cela n'est pas sans conséquence sur les effets des précédentes crises qui ont touché l'Afrique, notamment celle des produits alimentaires et celle du renchérissement du coût de l'énergie. Du fait des interdépendances, cela a eu des effets directs sur la perte de pouvoir d'achat et l'augmentation de l'inflation (annexe 2).

La volatilité des prix des biens et des services et l'absence d'un véritable développement des capacités productives dans une Afrique prise dans les contraintes des insuffisances des infrastructures et de la faiblesse d'un environnement propice au développement des affaires ont limité les possibilités de progression rapide de l'Afrique. La hausse des matières premières au cours de 2007 n'a pas véritablement favorisé une amélioration des balances de paiements alors que les exportations africaines (3,1 % de la part mondiale) dépassaient les importations (2,6 % de la part mondiale) en 2007[4]. L'ajustement s'est souvent opéré avec les ressources intérieures et une réduction des réserves (FMI a, 2008, p.1). De nombreuses balances commerciales et des paiements sur le Continent n'ont pas vu leur déficit se résorber. Les monnaies de paiement, de réserve et de compte, fondement de l'intermédiation, apparaissent alors aussi comme des contraintes additionnelles qui viennent grever les échanges africains, tant intrarégionaux qu'extrarégionaux (annexe 3). Comment contribuer de manière pérenne à la réduction des coûts de transactions occasionnés par la monnaie en Afrique sans pourtant que cela ne devienne un fardeau supplémentaire pour les pays faiblement industrialisés et disposant de capacités d'influence économique insignifiantes au sein de l'architecture financière mondiale ?

Un défi auquel il convient de répondre en posant le problème de la longue marche de l'Afrique vers une union monétaire africaine avec, en résultante, une monnaie unique africaine. Avec plus de 53 Etats membres de l'Union africaine sans compter demain le Maroc, quelles pourraient être les implications pour les pays africains d'opter pour l'avènement d'une union monétaire continentale et une monnaie unique continentale avec les institutions y afférentes comme la Banque centrale africaine, le Fond monétaire africain ou encore une banque d'investissement africaine? Est-ce que les économies africaines doivent converger avant l'adoption d'une monnaie unique africaine? Ne faut-il pas procéder d'abord à l'harmonisation des politiques sectorielles, organiser les instruments de mesures statistiques au plan régional et continental afin de faciliter le suivi et l'anticipation des crises? Bref, la convergence quel que soit le modèle qui va l'inspirer à l'instar de ce qui a été fait dans l'Union européenne, est-elle indispensable pour la création d'une monnaie unique d'abord au niveau sous-régional, puis continental ? Enfin, faut-il continuer à distinguer entre monnaie unique et monnaie commune ? Sur ce dernier point, l'Afrique, que ce soit au plan sous-régional ou au plan continental, devra s'organiser pour qu'il n'y ait pas à terme de différence entre les deux. Pour faciliter la distinction, dans ce texte, la monnaie commune signifiera une monnaie unique au niveau sous-régional alors que la monnaie unique signifiera une monnaie commune et unique au niveau du continent.

L'absence de rigueur des politiques macroéconomiques fondées sur le dogme néolibéral, de la dérégulation et de la non-intervention de l'Etat doublée d'un système d'impunité dans le secteur financier, des assurances et des organisations de notation a contribué à une accumulation exponentielle des déséquilibres sur les marchés financiers. Cette mauvaise gouvernance au niveau de l'économie immatérielle et virtuelle risque d'avoir des effets perturbateurs importants au niveau de l'économique réelle, et plus particulièrement sur les pays africains dépendants des importations des Etats-Unis, de l'Union européenne et du Japon. Les effets pervers se sont fait sentir, entre autres, sur le marché de l'immobilier aux Etats-Unis et celui des produits de base au plan international. Les mécanismes d'équilibre de la *«main invisible"* n'ont pas fonctionné au point de mettre en danger le système financier mondial. Les mesures draconiennes prises par les autorités américaines et européennes en octobre 2008 ont pris en défaut le dogme libéral. C'est un interventionnisme massif de l'Etat adossé à des prêts auprès des économies disposant d'importantes réserves et disposées[5] à soutenir ces politiques d'ajustement et de retour des prêts interbancaires qui a permis d'éviter la contagion des risques systémiques. Le risque de liquidité levée, c'est le risque de solvabilité qui freine la création monétaire et donc l'octroi de crédit notamment au cours de 2009 (FMI b, 2008). C'est dans ce cadre défavorable que les autorités monétaires africaines sont amenées à opter pour une approche politique ou économique de la convergence de leur monnaie dans un espace géographique limité.

Il faudra cependant tirer des leçons de la crise financière pour l'Afrique et se consacrer à utiliser la dynamique de la monnaie et du crédit pour servir d'abord l'économie réelle.

Monnaie commune: Quelles monnaies de référence et d'arrimage ?

C'est en 1971 sous la présidence de Richard Nixon, Président des Etats-Unis (1969-1974) que la fin de la convertibilité du dollar en or a eu lieu. L'abandon de la parité fixe pour le système monétaire international, établie depuis la conférence de Bretton-Woods en 1944, s'est traduit par le flottement généralisé des monnaies. Ainsi les taux de change sont devenus flottants et se déterminent selon l'offre et la demande sur le marché des changes. Selon la doctrine libérale, une autorégulation devrait permettre de rétablir l'équilibre sur les marchés mais, très rapidement, ceci s'est avéré infondé et a conduit à l'instabilité monétaire internationale. La monnaie est devenue une simple «*marchandise*». Le cours des monnaies varient les unes par rapport aux autres en fonction d'un mélange subtil de bonne gouvernance économique et d'un rapport de force lié à la puissance du pays dont la monnaie se retrouve abondamment comme réserve de change dans le monde.

La baisse de la valeur d'une monnaie ou dépréciation dépendra en principe de l'importance de l'offre sur le marché et à l'inverse, l'appréciation ou la hausse dépendra de sa rareté sur le marché. Il n'y a donc théoriquement plus de dévaluation ou de réévaluation mais des fluctuations. Le rôle des institutions monétaires de régulation, notamment les banques centrales, consiste à intervenir pour limiter les variations trop importantes ou sortantes des limites que se sont fixées les pays qui ont, d'un commun accord, accepté de respecter un certain nombre de règles prudentielles. Ces règles prudentielles tendent à orienter les monnaies ou la monnaie s'il s'agit d'une seule zone monétaire[6] vers une convergence monétaire qui, si elle perdure, peut déclencher la décision collective de se choisir une monnaie commune. Encore faut-il se mettre d'accord sur la valeur de la nouvelle monnaie et le taux de change définitif qui permettra de faire émerger sans coercition une zone monétaire régionale.

Il devenait important alors de se mettre d'accord sur la composition de la monnaie de réserve, connue aussi sous le nom de la monnaie de référence (anchor currency) qui n'est rien d'autre que la quantité de monnaie détenue par les gouvernements dans leur réserve de monnaies internationales. Cette monnaie est souvent aussi l'étalon utilisé pour payer et solder les comptes sur le marché international. Ainsi, le coût de transaction du passage par cet équivalent général monétaire peut sérieusement grever les comptes d'un pays si les fluctuations sont importantes et sont défavorables selon que l'on est acheteur ou vendeur de marchandises ou services sur le marché international. A l'inverse, le pays, détenteur de la monnaie la plus communément détenue dans les réserves internationales des Etats, peut influencer la valeur de la monnaie lors de paiements importants et transmettre tout ou partie des coûts de transaction, voire une partie de la dette objet de la transaction, vers les utilisateurs de cette devise utilisée comme réserve de change lors des opérations de compensations et de couverture des engagements.

Ainsi, il est clair qu'un rapport de force entre les différentes économies va se traduire au niveau de la valeur de la monnaie et de la quantité des réserves d'un pays. Il est souvent difficile pour les économies dont les monnaies et les réserves sont faibles ou non-membres d'une zone de fluctuation monétaire établie, de faire alliance pour participer à une zone monétaire commune. Les variations des taux de change dépendent de deux composantes de la balance des paiements notamment la balance des opérations courantes et la balance des mouvements de capitaux. Une appréciation de la monnaie suppose une balance des paiements excédentaire et une dépréciation de la monnaie suppose une balance des paiements déficitaire.

- La balance des opérations courantes se décompose essentiellement en la balance commerciale qui regroupe les importations et les exportations de biens et de la balance des invisibles qui regroupent les importations et les exportations de services. Ainsi, les contraintes au commerce international et intra-africain peuvent influer négativement sur la balance des opérations;
- La balance des mouvements de capitaux est composée des mouvements de capitaux à long

terme notamment les investissements directs ou les prêts et des mouvements de capitaux à court terme. Ainsi les amplitudes des mouvements de capitaux influent directement et rapidement sur le taux de change notamment les mouvements de court terme qui se déplacent en fonction des taux d'intérêt et de la spéculation.

Il suffit par exemple à un Gouvernement d'augmenter ses taux d'intérêts pour voir une partie importante des capitaux se réorienter vers cette économie. En résultante de ces pratiques, la devise réserve de change, le dollar américain $US qui représentait, en 1995, 59% de la composition des réserves internationales de change, a atteint 70,9 % en 1999 et 63,9 % en 2007, alors que la Livre Sterling[7] (Pound Sterling) est passée pour la même période de 2,1 % à 4,7 %, que le Yen japonais est passé de 6,8 % et 2,9 % et le Franc suisse de 0,3 % à 0,2 %. En comparaison, la monnaie européenne Euro est passée de 17,9% en 1999 à 26,5 % en 2007[8].

La plupart des importations des pays africains sont facturées en $US ou en Euro. Avec les nouvelles parts de la Chine dans la balance commerciale des pays africains, la monnaie chinoise risque rapidement de prendre un rôle prépondérant dans les réserves de devises des pays africains[9]. Ceci, d'autant plus que les échanges, (importations et exportations) entre la Chine et l'Afrique, sont en augmentation rapide (annexe 11). Les monnaies africaines n'ont pas la crédibilité internationale qui leur permettrait d'être considérées comme monnaies à détenir dans les réserves internationales. L'Afrique ne peut que très difficilement influencer la valeur des devises-réserves de change qu'elle détient. Par contre, les pays africains subissent de plein fouet les variations extérieures, ce qui vient grever à la baisse les créances et pousser à la hausse les dettes. Si les pays africains souhaitent un tant soit peu faire bloc pour neutraliser leurs effets négatifs et demain devenir des acteurs et non des sujets monétaires dans l'architecture monétaire globale, ils devront former des blocs ou des zones monétaires dont les règles doivent être définies en interne et non dictées par l'extérieur. Ainsi, les principales zones monétaires existantes en Afrique aujourd'hui (voir annexe 12) peuvent être classées en trois groupes principaux:

- Les pays de la zone CFA (Communauté Financière Africaine) disposant d'un taux de change fixe entre leur monnaie et une monnaie extérieure;
- Les pays de la zone non CFA[10] disposant d'un taux de change flottant entre leur monnaie et le reste du monde; et
- Les pays non membres des ces deux zones et disposant d'un taux de change flottant entre leur monnaie et le reste du monde.

En analysant en pourcentage du Produit intérieur brut (PIB), la moyenne annuelle de l'inflation, l'importance de la devise servant de réserve de change, le total de la dette publique et le solde du budget entre 1980 et 2005, soit 25 ans, il apparaît que tous les pays d'Afrique subsaharienne présentaient un solde moyen budgétaire de -5,3 % du PIB. En comparaison, le solde budgétaire de 4,1 % pour les pays de la zone CFA (à taux fixe), 2,2 % du PIB pour les pays de la zone non CFA (à taux fixe) et -6,2 % du PIB pour les pays africains (à taux flottant, voir annexe 2)[11] témoigne de l'importance du système monétaire choisi.

Il faut en déduire que les pays de la zone non CFA à taux fixe présentent des indicateurs plus proches de la bonne gouvernance. Cela devrait conduire à suggérer que les blocs ou zones monétaires africaines soient calqués sur ce modèle et d'opter pour une zone monétaire non CFA à taux fixe. Cela n'exclut nullement que la zone CFA soit incluse dans cette nouvelle zone. L'inverse serait à déconseiller pour l'inconvénient majeur qui consiste à avoir dans le conseil d'administration des responsables de pays industrialisés non membres de la région. Pour la cohérence et l'homogénéisation de la zone et pour organiser la convergence des critères économiques et financiers, cette proposition présente des avantages certains. En effet, l'harmonisation des politiques sectorielles régionales en sera facilitée. Il va de soit que l'harmonisation et la production en temps réel de statistiques monétaires, financières et économiques doivent nécessairement être prises en compte et des budgets adéquats mis à disposition par les Etats pour permettre l'organisation de l'information sur la zone monétaire.

La zone franc n'est rien d'autre qu'un espace monétaire créé sur la base d'une décision politique. L'Euro, la monnaie de l'Eurozone, est aussi la monnaie d'arrimage du CFA. Avec un Euro fort, le taux de change fixe entre CFA et Euro contribue à décourager les exportations parce que cela force à augmenter le volume des biens exportés sans recevoir en retour le fruit du travail effectué. Cela contribue donc à l'alourdissement du déficit commercial si l'augmentation du volume des exportations ne suit pas. Ainsi «*L'accroissement des exportations peut alors, dans certains cas, provoquer une perte de substance pour l'économie nationale*[12]».

Il n'y a pas vraiment de débat sur le fait d'opter pour une monnaie commune ou unique du fait des avantages considérables provenant de:

- la réduction des coûts de transaction,
- les impacts positifs sur l'intégration régionale,
- l'amélioration du commercial intra-africain et les économies d'échelle.

La question reste néanmoins posée de savoir si l'arrimage à une monnaie de référence, à savoir le dollar américain ou l'Euro, reste opportune.

Avec la crise financière de septembre 2008 et la récession aux Etats-Unis, au Japon et en Europe de 2008-2009, la demande étrangère pour les biens africains risque de se ralentir fortement. Les pays de la zone franc exportent principalement des matières premières et peu de produits manufacturés. L'arrimage du CFA à l'Euro tend alors à favoriser les importations et pénalise la production locale, voire annihile les efforts de développement de la capacité productive locale. A l'inverse, si le coût de la main d'œuvre subsaharienne peut paraître compétitif, un Euro fort contribue à renchérir la facture énergétique notamment le pétrole et permet aux pays donateurs d'aide budgétaire de limiter leur contribution effective tout en offrant une valeur artificiellement gonflée en CFA.

Au total et sur le long terme, l'arrimage à une monnaie forte pour des pays africains n'a pas eu d'impacts significatifs sur la réduction du déficit structurel des balances des paiements des pays de l'Afrique au sud du Sahara et à fortiori, des pays de la zone franc. Ainsi, le solde extérieur courant hors dons en pourcentage du PIB de l'Afrique subsaharienne en 2007 était de -3,3 %, légèrement mieux que la moyenne de la période 1997-2002 où ce solde était de -3,7 % avant de passer à 0,5 % en 2007. Ce solde s'est creusé pour les pays importateurs de pétrole passant de -4 % pour la période 1997-2002 à 2 % en 2007. Pour la zone franc, la situation s'est améliorée avec un évolution nette de -3,2 % en 1997-2002 à 1,6 % en 2007. Les pays pratiquant un régime de taux de change flottant ont, tout de même, vu ce solde extérieur courant hors dons s'améliorer passant de -3,9 % entre 1997-2002 à 1,5 % en 2006 avant de rechuter à 0,1 % en 2007. Il en est de même pour les pays pratiquant un régime de taux de change fixe qui sont passés de -3,1 % entre 1997-2002 à 3,1 % en 2006 avant de chuter à 2,1 % en 2007 (FMI a, 2008, p. 68). Il faut retenir de ces statistiques qu'il serait préférable d'avoir un régime de taux de change fixe à l'intérieur d'un espace ou d'une union monétaire. Paradoxalement, la zone UEMOA a vu son solde budgétaire hors dons dégringoler de 4,3 % en 1997-2002 à -5,1 % en 2007. L'absence de pétrole en référence à la zone CEMAC (qui est passée de 1,8 % pendant 1997-2002 à 7,9 % en 2007) pose le problème de la capacité d'une union monétaire telle que l'UEMOA d'aller à contre-sens des pays pratiquant un régime de taux de change flottant. La dépendance avec la France mériterait une analyse plus approfondie.

De manière plus générale, le choix unilatéral de l'arrimage du CFA à l'Euro de la zone franc doit être modifié. Sans la dévaluation unilatérale de moitié du franc CFA intervenue à Dakar, au Sénégal, le 11 janvier 1994, ce solde extérieur courant aurait largement été inférieur à sa valeur monétaire de 2007. Ce n'est pas le CFA en soit qui pose problème mais bien la dévaluation unilatérale sans accompagnement des économies. C'est donc bien le mécanisme de gestion de l'élasticité de la parité d'une monnaie dans un espace monétaire donné vis-à-vis de l'extérieur qui doit primer sur les décisions politiques. Ce mécanisme en zone franc fonctionne sur la base d'un rapport de force. Les pays africains concernés semblent avoir été pénalisés lors de cette dévaluation unilatérale et n'ont pas pour autant profiter de l'occasion pour s'assurer que ce phénomène ne se reproduise plus à leurs dépens. Face à une situation de crise aigüe, des dévaluations unilatérales peuvent encore intervenir sans que les intérêts des populations africaines ne soient pris en compte. Sur l'ensemble des régions d'Afrique subsaharienne, seule la CEMAC a pu équilibrer son solde extérieur courant hors dons en 2007 alors qu'il était déficitaire de -7,8 % en 2003. L'Afrique subsaharienne est passée de 2003 à 2007 de -3,9 % à -3,3 %, niveau atteint par les pays avec un régime de taux de change fixe ou flottant (-3,3 % en 2007)[13].

C'est donc bien d'un double problème dont souffre l'Afrique subsaharienne au plan monétaire:

- l'organisation vis-à-vis de l'extérieur d'un mécanisme de gestion de l'élasticité de la parité d'une monnaie dans un espace monétaire donné; l'instauration d'un panier de monnaies avec des pondérations apparait comme une piste crédible compte tenu de l'asymétrie dans le commerce extérieur des pays africains avec les grands pôles du commerce et de la production mondiale qui sont représentés en termes de monnaie de référence par le dollar américain, l'Euro et le Yuan[14];
- l'organisation au sein d'un espace monétaire donné d'un mécanisme de gestion de la convergence de plusieurs monnaies selon des critères de gouvernance économique et des règles de solidarité pour permettre une cohérence interne et un respect mutuel malgré le poids économique différent des pays.

Cette double exigence ne peut être résolue uniquement dans le champ économique. Il va falloir une véritable décision politique autour d'un consensus sous-régional et demain continental. Pour ce qui est de l'organisation monétaire au sein d'un espace monétaire qui devra évoluer vers une union monétaire, puis déboucher sur une monnaie commune, il va de soi que l'ensemble de l'espace devrait au préalable devenir:

- une zone de libre-échange,
- avoir procédé à une harmonisation de la fiscalité et de l'environnement des affaires,
- avoir en commun une stratégie de croissance économique non contradictoire et complémentaire.

Cela suppose de la compétition et de l'innovation. L'évolution des parités entre les monnaies existantes dans l'espace monétaire pourra suivre des variations dont les amplitudes plafond-plancher seront déterminées en fonction de l'histoire des deux dernières décades de l'évolution des balances commerciales, des balances des paiements, des réserves de change et des accords négociés qui interviendront entre les partenaires membres d'un espace monétaire en cours de transformation vers une union monétaire.

L'avènement de la monnaie commune sous-régionale ou continentale et la décision politique qui la sous-tend devraient contribuer à l'évolution des monnaies existantes dans un espace monétaire donné vers un régime de taux fixe et déboucher sur une parité fixe entre les pays membres. Une fois que le respect d'un système de surveillance entre pairs aura permis d'avancer vers le respect des critères de convergence, la monnaie commune pourra effectivement évoluer vers le statut de monnaie unique. Il faudra néanmoins une période transitoire permettant aux différentes monnaies de l'espace d'organiser leur gouvernance économique pour satisfaire les conditionnalités monétaires que les autorités monétaires de l'espace se seront données et respecteront.

Par contre, la valeur de cette monnaie commune et unique devra fonctionner sur la base d'un régime de taux de change flottant avec une période de transition avec un panier de monnaies regroupant les trois principales monnaies servant d'équivalent général aux principales transactions commerciales, monétaires et financières de l'Afrique. Les pondérations seront ajustées en fonction du poids des échanges entre l'espace monétaire et le reste du monde.

Une décision politique pourrait permettre de créer immédiatement une monnaie unique continentale ou une monnaie commune au niveau des différentes sous-régions africaines. Mais il ne s'agit pas là de l'approche optimale car elle ne sera ni crédible, ni opérationnelle. Des périodes de transition graduelles sont nécessaires en commençant pas la création d'une monnaie commune sous-régionale. Les autorités africaines devront alors se concentrer sur la formation d'espaces monétaires décentralisés, futures régions d'une Afrique fédérale. L'arrimage des monnaies communes des régions monétaires africaines ne doit plus se faire sur l'alignement sur une seule devise étrangère compte tenu de l'importance de l'environnement changeant et imprévisible et le mouvement général vers la souveraineté économique et monétaire de l'Afrique.

ESPACES MONETAIRES DECENTRALISEES: FACILITER LES ECHANGES

Il n'y a qu'une décision politique commune qui permettra d'opter pour un espace monétaire cohérent, solidaire et résistant face au monde extérieur. La solution passe par une monnaie commune dans un espace homogène où la volatilité et le non-respect des critères de convergence ne relèveraient plus de l'irresponsabilité économique.

Il faut se rendre à l'évidence qu'en analysant la moyenne annuelle du taux de change effectif[15], ce sont les pays fonctionnant avec un régime de taux de change fixe qui ont vu ce taux s'apprécier par rapport à l'indice de base (100) en 2000. On peut citer au plan régional, l'Union monétaire ouest-africain (UMOA). En réalité, bien que ceci puisse donner l'impression d'un résultat positif, on a à faire à une vraie distorsion en référence à la moyenne subsaharienne en chute qui passe de 108,5 à 80,7 entre les périodes 1997-2002 et 2008 (annexe 1). Pour la même période, les pays avec un régime à taux de change fixe ont vu ce taux s'apprécier passant respectivement de 102,9 à 112,1. En référence, les pays utilisant un régime à taux de change flottant ont chuté de 101,6 à 73,8. Là encore, c'est plus par rapport à la moyenne de l'Afrique subsaharienne et à la lumière des écarts avec la moyenne subsaharienne qu'il convient d'analyser le taux de change dans l'espace monétaire considéré. Lorsque pour des raisons historiques, la zone UMOA s'aligne sur l'espace européen, les désavantages sont multiples en termes d'augmentation des coûts d'importation et le renchérissement de la dette, ceci d'autant plus que la plupart des matières premières n'est pas payé en Euro mais en dollar américain. Il faut donc se réjouir de la capacité de la région d'Afrique australe (SADC) d'avoir un profil de taux de change similaire et proche de celui de l'Afrique subsaharienne (annexe 1). Ce profil qui colle à la réalité africaine donne plus de chance au respect des critères de convergence monétaire et des adaptations par rapport au marché avec de réelles possibilités d'aller vers une souveraineté monétaire africaine.

Quatre points seront abordés pour saisir la complexité de l'architecture financière africaine laquelle allie discipline monétaire, souveraineté africaine et préservation du pouvoir d'achat des populations:

L'impératif de la monnaie commune;

Espaces monétaires optimaux ?

Convergence vers un taux de change fixe en interne;

Change flottant, panier de monnaies et libre échange.

L'impératif de la monnaie commune

L'arrimage d'une monnaie sous-régionale à une et unique devise étrangère servant de référence est à proscrire, même si cette devise devait avoir un poids important pendant un certain temps et servir comme référant pour une durée limitée comme réserves de change pour certains pays membres de l'espace monétaire. L'Afrique se doit d'apprendre à se prémunir contre des arbitrages et décisions politiques unilatérales qui lui sont hostiles. Pour ce faire, et pour s'assurer une certaine stabilité, il est suggéré d'opter pour un panier de monnaies. Le poids des monnaies choisies varierait en fonction de l'importance et du niveau des échanges, notamment le volume des exportations et des importations de biens et services de l'espace monétaire africain vers les pays émetteurs des monnaies sélectionnées. L'exemple du Bénin en 2007 sera rappelé. Avec des exportations totales de 38,3 % vers la Chine et des importations totales de 45,4 % en provenance de la Chine, il n'est plus possible pour ce pays de ne pas considérer la monnaie chinoise dans le choix d'un futur panier de monnaies. Pour ce pays, les importations de la France ne sont plus que de 8,3 % et celles des Etats-Unis de

6,6 %[16]. Si cette situation devait perdurer, le poids de l'Euro et du dollar américain dans un futur panier de monnaies dans un espace monétaire sous-régional ou continental devrait être revue à la baisse pour réduire les manque-à-gagner et les coûts de transaction inutiles et contre-productifs pour le Bénin, et par extension pour l'Afrique.

Plus globalement au niveau de la zone de l'Union monétaire ouest africaine (UMOA) qui appartient à la zone franc, la productivité et l'efficacité économique des économies de la zone franc apparaissent très mitigées du fait, entre autres, d'un dollar ($US) faible par rapport à l'Euro. Pour les pays de l'UMOA qui importent pour la plupart leur pétrole, le seul avantage d'un dollar affaibli en septembre 2008 est que les factures pétrolières apparaissent aussi réduites alors que les créances perçues en dollar américain servent au paiement des biens importés qui se facturent en Euro. Cette surtaxe liée au paiement de factures libellées en Euro par les pays de la zone franc peut être levée dans le cadre d'une union monétaire reposant sur un panier de monnaie.

L'arrimage du CFA sur l'Euro sur la base d'un taux de change fixe, dont l'élasticité dépend plus du pays le plus économiquement influent que de l'ajustement des marchés, ne peut servir de modèle pour un espace monétaire africain devant évoluer vers une union monétaire, fondement de l'avènement d'une monnaie commune. La monnaie commune pourra devenir une monnaie unique lorsqu'après plusieurs années, les convergences des politiques macroéconomiques auront atteint leur apogée transformant de facto d'ailleurs l'espace monétaire en union monétaire.

Ce n'est pas parce que certaines matières premières sont cotées en dollar américain sur le marché de Chicago ou ailleurs que le paiement doit s'effectuer en cette monnaie. Au contraire, la monnaie de l'espace monétaire africain doit se libeller en une monnaie qui permet de faciliter la réalisation des échanges de biens et services, de l'industrialisation, des infrastructures et des conditions d'efficacité optimale. Le niveau des coûts de transaction doit tendre vers zéro. L'arrimage rigide à une monnaie étrangère unique, de plus surévaluée, est une ineptie économique pour des pays économiquement faibles et dont le pouvoir d'achat de la population reste fragile. Il suffit de rappeler l'évolution du PIB réel par habitant pour l'Afrique subsaharienne qui est passé de 532 $US entre 1997-2002 à 667 $US en 2007. A partir de cette ligne médiane, les pays avec un régime de taux de change fixe sont passés pour la même période de 549 $US à 611 $US, bien en-dessous de la moyenne de l'Afrique subsaharienne, alors que les pays avec un régime de taux de change flottant sont passés de 540 $US à 680 $US, au dessus de la moyenne subsaharienne (FMI a, 2008, voir annexe 8).

Est-ce à dire que les pays avec un taux de change flottant ont plus de capacités de résilience ? Oui, en effet, la zone franc pour les mêmes périodes est passée de 465 $US à 507 $ US et l'UEMOA de 360 $US à 368 $US, alors que la CEMAC, qui comprend de nombreux pays pétroliers, est passée de 708 $US à 820 $US. Le régime de taux de change fixe avec l'extérieur ne permet pas à l'Afrique d'organiser son agilité économique et financière. En rappelant le mauvais score du marché commun de l'Afrique australe de l'Est (COMESA) qui est passé de 259 $US à 332 $US, il faut avoir le courage de rappeler que seule l'homogénéité monétaire au travers des respects des critères de convergence peut conduire à un espace monétaire décentralisé et contribuer à l'amélioration et à la distribution plus équitable des fruits de la croissance économique. La communauté des Etats d'Afrique australe (SADC), avec l'Afrique du sud comme locomotive économique de la sous-région, a vu son PIB réel par habitant passer entre 1997-2002 de 908 $US à 1 108 $US en 2007 alors que la communauté des Etats de l'Afrique de l'Est (EAC-5) a progressé lentement sans atteindre la moyenne subsaharienne en passant pour les mêmes périodes de 305 $US à 385 $US[17].

Il ne faut donc pas s'étonner de la détérioration de la balance commerciale des pays africains, notamment ceux de la zone franc, avec l'Union européenne, notamment la zone euro, justement parce que les avoirs africains sont souvent en dollar américain et les paiements se font en Euro. Avec un différentiel de taux de change fixe qui favorise l'UE, un Euro fort gène considérablement la compétitivité des productions africaines plus particulièrement celles qui sont en concurrence avec les autres pays du monde. Il s'agit notamment des pays émergents qui ne sont pas liés à un taux de change fixe et peuvent donc ajuster leur politique monétaire en fonction de leur politique commerciale et industrielle.

Faut-il rappeler qu'à sa création en 1945, une des missions importantes du Fond monétaire international (FMI) était de promouvoir la stabilité des taux de change fixes. Les monnaies étaient alors arrimées à l'étalon or. Depuis qu'en 1971, sous le Président Nixon, les Etats-Unis ont introduit la fin de la convertibilité du dollar en or, de nombreux pays ont adopté le régime de taux de change flexible, laissant ainsi la valeur de leur monnaie être déterminée par le marché. Certains pays ont préféré, pour des raisons de commodité, choisir une monnaie de référence et ont adossé leur monnaie à cette monnaie de référence. Cela permet d'ailleurs d'influer sur le taux de leur propre monnaie en achetant ou vendant la monnaie de référence sur le marché. Les autorités monétaires africaines, dans le cadre de la sélection de la monnaie d'un espace monétaire africain ou à terme la monnaie commune, devront clairement opter pour l'une ou l'autre de ces options. Il est suggéré, compte tenu de la structure asymétrique des balances de paiement des pays africains au sud du Sahara, d'adopter une forme de régulation de leur politique économique fondée sur la surveillance par les pairs. Il faudra alors opter pour un panier de monnaies de référence dont les variations seront fonction de règles de pondération favorisant les échanges intra-africains et le développement des capacités productives africaines afin de faciliter une insertion dans le commerce mondial dans des conditions de souveraineté affirmée.

La notion d'espace monétaire a été préférée à celle de bloc, de zone ou d'union monétaire pour permettre l'agilité et l'adaptabilité nécessaires au niveau de chacun des espaces monétaires africains et favoriser l'avancement vers la monnaie commune au rythme de chacun. Il est question de décentralisation car l'espace continental ne pourra vraisemblablement pas faire l'objet d'une intégration immédiate. Celle-ci sera graduelle et à géométrie variable avec des «*entrées*» et «*sorties*» de pays avant que l'unité monétaire et la convergence continentale ne permettent finalement en 2023, date fixée pour le bon fonctionnement de la banque centrale africaine, soit 2 ans après la date de sa création fixée par les dirigeants africains en 2021, l'avènement d'une monnaie commune continentale.

Considérant que la monnaie unique est l'apanage des espaces monétaires parvenus à la maturité économique, l'Afrique et ses sous-régions devront passer par des étapes transitoires lors de la formation des espaces monétaires décentralisés avant de passer à l'unité continentale. Certaines fonctions de la monnaie comme l'unité de compte pourront, plus rapidement que d'autres fonctions, passer au niveau continental. Mais les fonctions de paiements et de réserve doivent nécessairement relever de la sous-région, au départ tout au moins. Les volets de compensation au niveau continental semblent avoir déjà progressé sur les principes et il suffira d'avoir les outils modernes électroniques et informatiques pour faire avancer cet aspect du dossier.

Il importe de rappeler le cas de l'espace monétaire Euro où tous les pays disposent de la même monnaie, et l'ont accepté comme la monnaie commune et unique. Par contre, pour la plus grande majorité des pays, la monnaie locale est rattachée à une monnaie de référence par un taux de change fixe, c'est le cas des pays francophones et du CFA rattaché à l'Euro ou l'Estonie qui est rattachée à l'Euro par un taux de change fixe. Il s'agit souvent en principe d'une devise reconnue comme un instrument de réserve au plan international. Dans ces deux cas, il s'agit bien de zones monétaires avec une monnaie commune et unique. Il arrive que les deux formes coexistent avec une double circulation monétaire. La monnaie est alors commune mais pas unique et se retrouve souvent dans un système de change parallèle dont la pérennisation est relative car la «*bonne*» monnaie tend à prendre le dessus sur la «*mauvaise*» monnaie selon la loi de Gresham[18]. Ceci se vérifie régulièrement dans les espaces monétaires où la perte de confiance dans une monnaie, liée à une inflation galopante, ouvre la porte à des marchés parallèles informels. Ce dernier cas est à proscrire comme voie d'organiser la construction d'une union monétaire.

Espaces monétaires optimaux ?

L'une des premières unions monétaires a été signée en 1865 par Napoléon III entre la France, la Belgique, l'Italie et la Suisse. Chaque monnaie pouvait conserver son nom mais elles étaient toutes définies par rapport à la même parité en or et en argent et avaient donc la même valeur. Ainsi pour l'Afrique, il n'y a pas d'urgence à changer les noms des monnaies existantes comme cela semble être le cas. Avec une définition acceptée d'un panier de monnaies, les monnaies en circulation dans un espace monétaire homogène pourront être arrimées à ce panier de monnaies et donc circuler librement.

La deuxième leçon qu'il convient de retenir est que cette première union monétaire fut dissoute en 1926 après la première guerre mondiale mais qu'en réalité, elle n'avait pas survécu à l'inflation. Pour les espaces monétaires africains, la priorité des priorités restera la maîtrise de l'inflation, garant de la stabilité des taux de change. Il ne s'agit pas pour des pays en développement de fixer un critère de convergence à des niveaux d'inflation trop bas. Cela risquerait de bloquer les flexibilités et les possibilités de dynamisation et de surchauffe positive d'une économie. Le respect de ce critère de base a permis le succès et la pérennisation de l'union économique belgo-luxembourgeoise entre 1921 et 2002 avec une parité fixe entre le franc belge et le franc luxembourgeois.

L'union économique et monétaire, mise en place en Europe au cours de la 2e moitié du 20e siècle, a évolué au gré du développement de l'Union européenne. Le volet monétaire se caractérise par une zone euro et un mécanisme de taux de change européen. La monnaie Euro est commune et unique à tous les membres de la zone Euro. La monnaie du Royaume-Uni (la Livre sterling) ne fait pas partie de la zone Euro. Le taux de change des anciennes monnaies nationales européennes a été déterminé une fois pour toutes sur la base d'un taux de change fixe qui correspondait au poids économique des pays. Il s'agit donc bien d'une décision politique consensuelle fondée sur des considérations économiques qui intégraient la solidarité et la mise à niveau des régions les moins développées (notamment l'Espagne, le Portugal, la Grèce dans les années 80 et les pays de l'Europe de l'Est[19] dans les années 2000). Si les pays d'un même espace monétaire africain acceptaient de se mettre d'accord sur un panier de monnaies, puis de fixer un taux de change flexible par rapport à l'étalon du panier de monnaies, l'avènement d'une union monétaire ne serait plus impossible. Toutefois, c'est bien le volet solidarité qui ne doit pas faire défaut. Cet aspect semble être pris en compte en Afrique australe dans la communauté des Etats de l'Afrique australe (zone SADC) par l'Afrique du sud alors que dans la CEDEAO, il l'est moins par le Nigeria malgré quelques progrès récents au niveau des intentions.

La formation d'un espace monétaire optimal est justement un territoire géographique d'une zone monétaire optimale. Comment savoir si l'établissement d'une monnaie commune et plus tard unique dans un espace profitera à l'ensemble des membres de la zone ? Robert Mundell a proposé une solution qui lui a valu un prix Nobel d'économie en 1960. Ainsi, un espace ne recouvre pas nécessairement un pays. L'espace monétaire peut être à l'intérieur d'un grand pays comme peut rassembler plusieurs pays. L'avantage principal d'une union monétaire réside dans l'accélération des échanges à l'intérieur de l'espace monétaire à condition que cet espace puisse produire la plupart des biens essentiels, sinon l'espace fera un appel d'air pour l'arrivée massive de biens et services extérieurs à l'espace, surtout si ces biens sont produits et sont offerte sur le marché international à des prix compétitifs. Par contre, en intégrant un espace monétaire, le principal désavantage est la perte d'une politique monétaire propre à chaque pays membre.

Les politiques économiques des pays membres ne peuvent être antagonistes dans un même espace, d'où l'importance de l'harmonisation préalable des politiques économiques et financières. En absence d'une volonté de convergence des stratégies et politiques économiques, une monnaie commune devient une entrave aux échanges et peut même conduire à des politiques de protectionnisme national, ce qui est exactement le contraire du résultat recherché. Il faut donc s'assurer du degré d'homogénéisation des économies concernées, de la volonté réelle et non hypocrites de résoudre les crises asymétriques endogènes et exogènes. De plus, il faut s'assurer de l'engagement à faire preuve de solidarité d'un ou de plusieurs pays membres considérés comme des économies locomotives. Enfin en cas de difficulté monétaire importante d'un ou de plusieurs membres, un système préétabli de solidarité avec des règles préalablement définies devrait permettre d'aider au rétablissement du taux de change et de la stabilité dans l'espace monétaire. La création d'un fond monétaire africain décentralisé devient indispensable[20] et devrait garantir le degré d'intégration rapide de l'espace économique et monétaire concerné.

Aussi, dans l'espace peu intégré avec des coûts de transaction élevés, il est préférable d'opter pour la convergence des monnaies et une flexibilité dans le taux de change. Plus les pays décident effectivement d'avancer vers l'intégration régionale et donc économique, plus ils ont intérêt à choisir successivement d'adhérer aux critères qui permettent à un espace monétaire multiforme et sans vision d'aller vers une union monétaire fondée sur l'intégration économique et une monnaie commune (annexe 7). Ainsi, *«l'union monétaire serait une fonction croissante de l'intégration économique»* (Mundell, 1978). L'économiste prix Nobel Mundell avait prévu la création d'un budget commun à l'ensemble des pays membres de l'espace monétaire permettant de résoudre les éventuels chocs asymétriques sous la forme de transfert de revenus entre l'Etat solvable et l'Etat en difficulté. Ce sera une fonction que le fond monétaire africain pourra remplir.

A partir des travaux de Harrod-Balassa-Samuelson, un effet du même nom est proposé pour expliquer et éventuellement qualifier une zone monétaire optimale. L'effet Harrod-Balassa-Samuelson[21] fait l'hypothèse que le niveau du prix à la consommation est plus élevé dans les pays économiquement plus robustes que dans les pays économiquement moins robustes (c'est le *«Penne effect»*) et que la productivité et le taux de croissance de la productivité varient plus rapidement dans les pays disposant d'un secteur offrant des biens commercialisables que dans les autres secteurs.

En résultante, le bénéfice attendu de l'union monétaire optimale est une efficience collective dans l'espace monétaire intégré avec une robustesse des économies membres renforcées et fondées sur une répartition des fruits de la croissance plus équitable. L'effet le plus visible est celui de la libre circulation des marchandises, des capitaux et du capital humain au service des populations. Toute entrave à cette liberté est un signe avant-coureur de frilosité décisionnelle des autorités politiques, ce qui tend à mettre en cause la réalité de la volonté d'organiser véritablement un espace monétaire intégré. A ce titre, la zone euro n'est pas considérée comme une union économique et monétaire optimale puisque les mouvements des travailleurs restent particulièrement faibles entre les Etats-membres et soumis à autorisation pour les travailleurs non-membres de la zone. Des efforts restent à faire au niveau d'un véritable fond monétaire européen. La crise financière d'octobre 2008 a en effet révélé les faiblesses de la zone euro. Les actions ponctuelles de sauvetage d'une économie ne peuvent remplacer la fonction principale et d'anticipation d'un fond monétaire régional décentralisé. L'Asie l'a compris et a instauré son fond monétaire asiatique en 2007, et le fond monétaire arabe a été créé en 1976.

En référence à l'expérience des pays de l'Europe de l'Est, économies en transition, ayant rejoint l'Union européenne, il n'y a pas un niveau de taux de change idéal pour converger et assurer la stabilité monétaire, maintenir la compétitivité, promouvoir les réformes structurelles et respecter les critères communs d'un taux minimal d'inflation accepté d'un commun accord (Szapáry, 2001). Il semble que des critères endogènes, discutés dans l'espace monétaire, accepté de manière consensuel puis surveillé par des pairs donneraient des résultats plus probants en termes d'effectivité des réalisations (Frankel, 2004). Alors que les écarts dans le taux d'inflation étaient en 1995 autour de 10 % pour la République Tchèque, 20 % pour la Slovénie et 39% pour l'Estonie, ces écarts ont convergé rapidement pour se situer en 2001 à 5 % pour la République Tchèque, 10 % pour la Slovénie et 6 % pour l'Estonie[22].

En fait, le principe commun à toute économie qui est dans un processus de rattrapage par rapport à une autre est contenu dans ce que les économistes nomment *«l'effet Harrod-Balassa-Samuelson (EHBS[23])».* Ces économistes ont constaté que les salaires tendaient à être de moins en moins différents lorsque la croissance de la productivité diffère entre les secteurs d'activités. La croissance de la productivité est plus élevée dans les secteurs des biens commercialisables que dans les secteurs moins facilement commercialisables comme les services. Ceci contribue à faire qu'une croissance plus rapide de la productivité dans le secteur des biens commercialisables pousse les salaires à la hausse, ceci dans tous les secteurs, alors qu'en fait, ce ne sont que les prix des services (biens non commercialisables) liés aux biens commercialisables qui augmenteront aussi. En référence au fait que la croissance de la productivité est plus rapide dans les économies en rattrapage de croissance comme les économies en transition lors de leur intégration à l'Union européenne, l'effet Harrod-Balassa-Samuelson signifie, toutes choses égales par ailleurs, que l'index du prix à la consommation (l'inflation) va augmenter plus rapidement dans les économies en rattrapage que dans celles qui sont déjà avancées (Szapáry, 2001).

Un second point pose problème. Le fait que les économies africaines sont intégrées de manière asymétrique dans l'économie mondiale, la volatilité des flux de capitaux peut se révéler incontrôlable malgré une bonne gouvernance et des fondamentaux économiques de qualité.

Un troisième point réside dans l'élasticité de l'ajustement des prix qui sont hors normes par rapport à l'effet Harrod-Belassa-Samuelson. Les ajustements structurels dans les domaines aussi importants que la télécommunication, l'énergie, l'infrastructure de transport, la santé et l'éducation ouverts à la concurrence et au secteur privé contribuent, dans un premier temps, à des écarts de prix importants. De nombreuses économies africaines ne couvrent que des marchés étroits et sont susceptibles de perdre en termes de productivité dès que des conditions imprévisibles modifient le jeu des acteurs dans ce marché. Cela a un effet direct de détérioration de la balance des paiements et ne contribue pas vraiment à favoriser le respect des critères de convergence monétaire.

Aussi, les critères principaux et secondaires suivants adaptés des travaux de Harrod-Balassa-Samuelson sont à recommander pour les pays africains:

Critères principaux:

- L'impératif de la mobilité des facteurs notamment les facteurs de production;
- L'ouverture économique, avec la flexibilité des prix et des salaires dans un espace concurrentiel assorti d'un environnement juridique et institutionnel opérationnel avec un minimum d'intervention intempestive et injustifiée de l'Etat ;
- Une fiscalité de distribution avec une politique fiscale basée sur des transferts fiscaux permettant de soutenir une politique de stabilisation, elle-même facilitant les transferts de revenus et la résorption des déséquilibres afin d'assurer une augmentation continue du pouvoir d'achat des populations et entretenir ainsi une croissance continue et soutenue.

Critères secondaires:

- Homogénéité des stratégies de complémentarité et des politiques économiques à moyen et long-terme;
- Développement des capacités productives et diversification des productions avec soutien à l'entreprenariat;
- Volonté effective d'appartenance à un ensemble commun décentralisé avec un système de gouvernance fondée sur la subsidiarité ;
- Engagement à créer un fond monétaire africain décentralisé qui agirait comme un budget fédéral pour faire face aux chocs asymétriques sous la forme de transferts budgétaires avec pour objectif de faciliter l'harmonisation des niveaux de vie dans l'espace monétaire.

Convergence vers un taux de change fixe en interne

Au-delà de ces critères-principes, il convient de rappeler les critères de convergence de l'Union européenne connus comme les critères de Maastricht[24], critères qui ont volé en éclats avec la crise financière et la récession économique que cela a entraînée en Europe. Ces critères avaient pour objet de permettre d'intégrer l'Union monétaire et économique de l'UE et de permettre l'adaptation d'une monnaie commune et unique qu'est l'Euro (annexe 13). Quatre principaux critères avaient été retenus dans l'article 121, alinéa 1 du Traité de la communauté européenne. Il s'agit principalement:

- du taux d'inflation qui ne devait pas dépasser de plus de 1,5 % les trois plus bas taux d'inflation des Etats membres de l'Union européenne;
- des finances du gouvernement avec deux critères interdépendants :
  - Le déficit annuel du gouvernement exprimé en ratio à savoir le déficit annuel du gouvernement sur le PIB ne devrait pas excéder 3 % à la fin de l'année fiscale. Les exceptions temporaires sont autorisées;
  - La dette du gouvernement exprimée en ratio de la dette brute du gouvernement sur le PIB qui ne doit pas dépasser 60 % à la fin de l'année fiscale ou tout au moins se rapprocher de ce plafond;
- du taux de change qui suppose que les nouveaux pays entrant dans l'Union européenne doivent avoir rejoint le mécanisme de taux de change en vigueur sous le système monétaire européen depuis au moins deux ans consécutifs sans que le pays candidat n'ait dévalué sa monnaie au cours de cette période;
- des taux d'intérêt nominal qui à long terme ne devraient pas dépasser de plus de 2 % la moyenne des trois pays européens disposant du taux d'inflation le plus faible.

L'objectif majeur de ces critères[25] reste le même: maintenir la stabilité des prix dans l'Eurozone[26] même avec l'arrivée des nouveaux Etats membres. Ce point est un vrai défi pour les espaces monétaires africains. Il est question de s'assurer de la qualité et de la durabilité de la stabilité des prix (inflation, notamment le prix à la consommation, se situant avec moins de 1,5 % par rapport à la moyenne des trois meilleurs pays de l'espace). De plus, il importe de s'assurer de la durabilité du processus de convergence avec des taux d'intérêts à long terme qui se maintiennent autour de 2 % par rapport à la moyenne de l'espace monétaire. Enfin, il faudra respecter une fluctuation moyenne autour de 1,5 % par rapport à la parité de référence, ceci pendant au moins deux ans.

Ainsi, la pertinence des critères de Balassa comme grille d'analyse de la viabilité d'une zone monétaire est mise en doute pour les économies africaines. En effet, en l'absence d'un haut degré d'intégration commerciale, en présence de différences économiques importantes, de problèmes structurels d'insuffisance dans les infrastructures de communication et des chocs asymétriques à répétition tant à l'intérieur des espaces monétaires qu'en provenance du marché international, il est difficile pour les économies d'assurer une rigueur économique dans le respect des critères de convergence économiques et monétaires.

On pourrait se risquer à une analyse comparative à partir des critères de Harrod-Belassa-Samuelson entre la zone Euro, la zone franc, la CEDEAO et la SADC pour montrer les difficultés importantes qu'il convient de lever pour atteindre une union monétaire optimale (voir annexe 5). Il faut donc pour l'Afrique opter pour un «*second best*» négocié et construire graduellement ses propres critères pour rendre pérenne un espace monétaire optimal.

Avec la fin de la convertibilité du dollar en or en 1971, c'est un système de taux de changes avec des fluctuations limitées qui venait en fait de disparaître. Le nouveau système de changes flottants a ouvert la possibilité du fonctionnement d'un système monétaire international avec des fluctuations des taux de changes importants, ce qui est contradictoire avec les objectifs de stabilité de ces taux dans le cadre d'une coopération monétaire. Afin d'assurer l'essor du commerce mondial, c'est pourtant cette coopération, sous la forme d'union monétaire et économique, qui va servir de rempart contre l'émergence d'un système de dérégulation sans garde-fous. Il fallait neutraliser les entraves au commerce dans un espace monétaire. Ainsi, les points suivants ont servi de pilier à l'émergence d'un espace monétaire cohérent :

- limiter la multiplicité des monnaies;
- se prémunir contre les risques de change pour ne pas augmenter les charges des entreprises et grever inutilement les budgets des Etats et des ménages; la gestion multidevise avait un coût non négligeable;
- faciliter les comparaisons des prix, des politiques monétaires et harmoniser les stratégies en évitant les dévaluations dites «*compétitives*» qui étaient considérées comme des formes de concurrence déloyale entre les agents économiques d'un même espace monétaire;
- faciliter une intégration optimale des marchés afin d'aller vers le marché unique et la monnaie commune et unique.

Ces trois phases ont donc pris du temps, soit 37 ans selon que l'on compte à partir de 1971, date de la fin de la convertibilité du dollar, ou 16 ans, avec 1992 comme date de démarrage de l'union monétaire européenne. Les responsables politiques africains, eux, ont fixé à 2028 la mise en œuvre effective de l'union économique et monétaire africaine (annexe 13). Il faut en retenir l'impératif de la convergence et de la fixité une fois pour toutes du taux de change dans l'espace monétaire avec la disparition concomitante des monnaies nationales et un engagement à soutenir la subsidiarité et l'indépendance de la Banque centrale européenne par rapport aux Gouvernements nationaux et la Commission de l'Union européenne.

Change flottant, panier de monnaies et libre échange

L'union économique et monétaire européenne est un modèle dont l'Afrique devra s'inspirer sans tomber dans le mimétisme institutionnel puisque les conditions politiques et économiques de mise en œuvre sont totalement différentes. La mise en place de l'institut monétaire africain de la zone monétaire ouest-africaine[27] créé en 2000 par cinq pays de la région (Gambie, Ghana, Guinée, Nigeria et Sierra-Leone avec le Liberia comme observateur) n'a pas encore permis d'aider à la création de la monnaie commune dénommée ECO[28]. En effet, aucun des Etats n'étaient en mesure de se conformer aux critères de convergence retenus du fait des impondérables externes et internes. Les critères ont été assouplis avec une volonté d'aller vers une monnaie unique à l'échelle de la CEDEAO mais les calendriers fixés sur une base politique n'arrivent pas être respectés. L'Eco aurait dû être mis en circulation en juillet 2005 et aurait dû regrouper les monnaies suivantes: le Naira du Nigeria, le Cedi du Ghana, le Franc guinéen de Guinée, la Leone de la Sierra Léone, le Dalasi de la Gambie et le Dollar libérien du Liberia. Face à un retard et à une difficulté à anticiper l'avènement d'un tel évènement, c'est toute la construction de l'espace économique et sa dérivée monétaire qui est remise à plus tard. La crédibilité et la volonté réelle d'avancer vers un espace monétaire sans respect des règles de convergence et des variations importantes en termes de différentiel d'inflation ne sont que quelques unes des contraintes qui ont pu être levées au niveau de l'Union économique et monétaire européenne.

Il y a donc un vrai problème de stratégie et d'adéquation avec le calendrier qui révèle des insuffisances. La méthode politisée d'approche du problème monétaire doit être considérée comme obsolète. Ce sont des équipes d'experts de haut niveau défendant les intérêts de l'Afrique et de ses régions qui peuvent proposer des approches nouvelles pour faire avancer ce dossier. Rien ne sera possible sans un minimum de subsidiarité et de non-interventionnisme des Etats. Le respect des convergences monétaires ne peut être étudié sans une analyse objective de la légitimité des régimes politiques, de la volonté de servir réellement les populations, du taux de corruption et de son influence sur la discipline fiscale et budgétaire des Etats. Bref, il s'agit quelque part d'indiscipline monétaire dont le poids ne peut cacher les contraintes liées aux crises et chocs économiques qui servent trop souvent d'alibis.

On sait que la moyenne annuelle du taux de l'inflation entre 1960 et 2000 pour les pays d'Afrique subsaharienne oscille entre 4 % pour Djibouti et 1036,22 % pour le Congo démocratique (Yehoue, 2005, p. 14) et qu'avec les nouveaux niveaux atteints par le Zimbabwe, le record aura été battu par ce pays en 2008. Le travail de la convergence monétaire ne peut se faire qu'avec des responsables politiques désireux de converger effectivement. L'exemple des pays en transition qui ont rejoint l'UEM (annexe 14) alors que les différentiels en termes de convergence étaient importants au départ prouve que rien n'est impossible si la volonté effective y est. En réalité, la dynamique de la formation d'un espace monétaire sous-régional ou continental repose d'abord sur les mouvements de l'inflation, les échanges et les capacités d'ajustements dynamiques des économies à partir d'institutions robustes et non d'instructions liées à des individus au pouvoir.

Ainsi, l'émergence effective d'espaces monétaires ayant vocation de se transformer en unions monétaires est intimement liée à l'évolution du commerce à l'intérieur d'un espace géographique et la capacité des autorités à contrôler l'inflation. L'Europe occidentale a vu sa part du commerce intrarégional dans le total de son commerce de biens passer de 51 % en 1928 à plus de 70 % en 1993 alors que celle de l'Afrique est passée de 10 % à 9 % pour les mêmes périodes[29] (annexe 3 et 10). La première raison pour former un bloc, un espace ou une union reste un niveau élevé d'échanges et les contraintes qu'il convient d'enlever pour aller vers des zones optimales en termes de fonctionnement. Ce critère de base n'étant pas rempli, les avantages et inconvénients des expériences ou approches passées risquent de ne pas être suffisants pour expliquer les difficultés africaines. S'agissant d'institutions supranationales, la mauvaise volonté des politiciens d'organiser de manière transparente la subsidiarité contribue à donner un poids prépondérant à la politique sur l'économique. Le fait que l'essentiel du commerce africain est en train de quitter les pays européens vers les pays asiatiques pourrait changer la donne et offrir plus de chance à l'émergence d'un panier de monnaies. L'avènement d'une monnaie par région africaine avec un taux de change flottant et un ancrage autour de trois devises à savoir le Dollar, l'Euro et le Yuan est fortement recommandé. L'Union européenne ne peut que servir d'exemple et non de mode de fonctionnement pour le continent. L'Afrique doit apprendre collectivement à devenir responsable monétairement en retrouvant les vertus de la coopération intrarégionale et la discipline monétaire collective.

Au niveau des intentions, il est vrai que la SADC se propose de créer une banque centrale régionale à l'horizon de 2016 et une monnaie commune en 2018. La communauté des Etats de l'Afrique de l'Est (EAC) se propose d'aller vers un marché commun et une union monétaire sans fixer les dates.

L'Union africaine a demandé à l'Association des banques centrales africaines de proposer un calendrier pour l'avènement d'une Banque centrale africaine (BCA) pour une création en 2021[30]. Le Fond monétaire africain (FMA) pourrait être considéré comme un instrument transitoire, encore faut-il tomber d'accord sur sa fonction en relation avec l'Institut monétaire africain (IMA). En réalité, il ne devrait pas y avoir de duplication puisque le FMA devrait plus se consacrer à organiser la veille économique et financière tout en assurant des fonctions de soutien pour les déficits de balance de paiements et servir de fond de solidarité, alors que l'IMA devrait véritablement se consacrer à faciliter l'avènement de la BCA et de la monnaie commune, tout en organisant la convergence des parités en interne et l'avènement d'une monnaie commune arrimée sur un panier de monnaies.

Les avancées parcellaires et segmentées entre les différentes régions africaines ne facilitent pas une cohérence continentale. La grande leçon à retenir en 2008 avec la montée en puissance du commerce avec l'Asie et la Chine en particulier, le choix du panier de monnaies pour arrimer une future monnaie régionale ou continentale doit s'appuyer sur l'existence et l'importance des réseaux commerciaux et des flux monétaires qui en découlent. A l'intérieur de l'espace monétaire retenu, l'exemple européen mérite d'être suivi à savoir qu'un taux fixe dépendant du poids économique et des volontés de solidarité dans la zone doit conduire à déterminer un taux fixe de convertibilité définitive des monnaies nationales par rapport à un étalon monétaire arrimé sur un panier de monnaies. Cet étalon monétaire, par contre, ne peut plus continuer à être arrimé dans la zone francophone uniquement sur l'Euro[31] ou dans les zones anglophones sur le Dollar américain. Il est vrai qu'un compromis avait été proposé de choisir les Droits de tirage spéciaux (DTS) du FMI[32]. Mais paradoxalement, les solutions innovatrices et intrinsèquement discutées pour l'Afrique n'ont pas fait l'objet de rapports ou d'études approfondies. Le changement des flux commerciaux avec la Chine devrait ouvrir le champ pour l'investigation, surtout que les échanges de l'Afrique avec les pays émergents, notamment les pays asiatiques, sont en train de complètement modifier le paysage commercial et donc monétaire africain.

CONCLUSION: ESPACE MONETAIRE, VERS UN EFFET DE LEVIER

En analysant l'évolution du commerce intrarégional africain (annexes 3 et 11) et en soutenant la thèse que ce sont les régions qui ont un flux de commerce intrarégional le plus élevé qui ont aussi la plus grande chance d'être motivées pour respecter les critères de convergence et une discipline monétaire et fiscale, les régions de la CEDEAO et de la SADC devraient pouvoir graduellement adopter une nouvelle stratégie basée sur une monnaie commune régionale arrimée à un panier de monnaies ($US, Euro et Yuan) pouvant fluctuer dans un espace de plus ou moins 3 % par rapport à la moyenne régionale. Il est donc clair que l'union monétaire optimale n'existe pas car il s'agit d'une approche systémique qui ne peut qu'être sub-optimale dans laquelle:

- le choix de l'étalon de référence doit se faire dans le cadre d'une négociation entre les autorités nationales membres de l'espace sous-régional ou continental où la solidarité et la subsidiarité doivent retrouver leur lettres de noblesse; un régime de taux de change fixe devra permettre une fois pour toutes de fixer le poids économique des pays et amener à des variations d'un étalon devenu régional, en attendant des concordances continentales avant l'avènement d'une monnaie commune continentale ;
- les monnaies composant le panier de monnaies servant de monnaie de référence peut faire l'objet d'ajustement avec des pondérations basées sur la réalité des échanges africains avec le monde. C'est aussi cet état de fait qui fera de l'Afrique un interlocuteur crédible et pourrait éviter sa marginalisation des discussions en cours sur l'avènement d'un Bretton-Woods II[33]; et
- la maladie infantile africaine, consistant à oublier d'introduire de la flexibilité et de l'agilité dans ces processus, doit être circonscrite avec l'admission d'une forme d'élasticité dans les variations externes de la monnaie, réalisée dans le cadre d'un régime de taux de change flottant de l'étalon monétaire commun.

Toute proposition d'une union monétaire en Afrique ne devrait plus reposer sur un mimétisme institutionnel des expériences passées ou venues d'ailleurs mais sur les perspectives de développement d'un marché intrarégional, fondement de la coopération et de l'intégration régionale. Les harmonisations et convergence doivent se faire au niveau sous-régional mais ne peuvent pas se faire en isolation par rapport au processus général de libre circulation des biens, des personnes et du capital. En attendant la levée de l'intangibilité des frontières à terme, une union devrait commencer à prendre corps au niveau monétaire et commercial par la levée des contraintes aux échanges dont notamment: l'amélioration des infrastructures de communication, les barrières tarifaires et non tarifaires formelles ou informelles, la fragmentation et les divergences dans l'environnement institutionnel et juridique et l'absence d'harmonisation effective des stratégies économiques qui reposent encore trop sur un protectionnisme non-dit.

Au lieu de faire des feuilles de route dont les dates butoirs ne sont pas respectées, il serait avisé de se concentrer sur des objectifs stratégiques clairs et des phases d'exécution à portée de main dans la gouvernance économique à savoir: 1. la convergence vers un taux d'inflation bas; 2. une harmonisation d'une politique fiscale incitative; 3. des politiques d'ajustements endogènes soutenues par un système de surveillance mutuelle des pairs; 4. la mise en place d'un Fonds monétaire africain décentralisé et continental comme fondement de l'émergence d'une unité et une souveraineté monétaire africaine; 5. un soutien actif au développement d'un secteur privé productif soubassement d'une politique de croissance économique partagée. En conséquence, la solution proposée ici peut démarrer dans le cadre d'une structure flexible appelée «*espace monétaire*» où coopération monétaire basée sur une surveillance mutuelle signifierait d'avancer peut-être d'abord avec les pays et les autorités monétaires:

- disposant d'un niveau respectable de réserves;
- s'engageant à respecter une discipline fiscale, budgétaire et monétaire;
- réduisant au minimum les financements de type inflationnistes non basés sur une production réelle; et
- ayant une réelle volonté de maîtriser les prix à la consommation et de contrôler l'inflation (voir annexe 9).

En réalité, il faut changer les approches en commençant avec les pays qui sont prêts et qualifiés pour participer à un espace monétaire africain pouvant se décliner en espace décentralisé puis en espace continental. Il est fort probable qu'il y ait quelques retards mais au moins cette fois la stratégie et l'architecture financière et économique ne souffriront plus de remise en cause stratégique. Toutefois, des ajustements systémiques devront avoir lieu face à un environnement imprévisible et changeant.

La feuille de route devra néanmoins comprendre trois grandes étapes à l'instar de l'Union européenne:

1. une période préparatoire ayant pour objectif d'atteindre une réelle et effective convergence économique ;
2. une période de transition où compensation et changes entre les monnaies ne devraient plus rencontrer d'obstacles ;
3. l'adoption d'une nouvelle unité de compte.

Au-delà du problème monétaire, les pays africains devront revoir leur mode de fonctionnement et de réactivité face aux évènements mondiaux. Les situations de *viscosité décisionnelle*[34] ne peuvent servir les intérêts des citoyens africains si la monnaie, en tant qu'équivalent général et comprenant les fonctions d'unité de paiement, d'unité de compte et d'unité de réserve, n'est pas prise au sérieux en dehors de son rôle de pouvoir. La monnaie doit servir d'effet de levier pour les échanges et la croissance économique partagée.

La crédibilité des autorités politiques et économiques du continent doit aussi se lire en fonction du respect des engagements monétaires de subsidiarité. On peut alors croire à l'avènement d'une monnaie africaine dans un tel contexte. A défaut, il s'agira d'une monnaie de singe[35] dont la crédibilité sera remise en cause au moindre choc financier. Par ailleurs, les ingérences intempestives et discrètes des chefs d'Etat auprès de l'institut central d'émission national comme régional pour s'octroyer des crédits pour éponger des déficits budgétaires liés à des arbitrages maladroits auraient pour conséquence d'exporter les défaillances de l'Etat vers la banque centrale. La conséquence directe se lira sur la valeur et la qualité de la monnaie en circulation qui perdra en crédibilité. On passera alors d'un Etat défaillant économiquement à une banque centrale défaillante usant d'une monnaie affaiblie.

En conséquence, la compétitivité des économies africaines et la capacité des Etats africains à générer des ressources budgétaires saines ne peuvent être dissociées de la nécessité de respecter une certaine indépendance des institutions d'émission monétaire et un certain autocontrôle structuré autour des critères de convergence. L'avènement d'une monnaie commune africaine crédible devra passer par plusieurs étapes avant de devenir à terme une monnaie unique. Paradoxalement, l'accélération du processus devra passer par la levée de l'intangibilité des frontières actuelles, au moins sur le plan de la libre circulation des biens, des services, du capital et des personnes.

Pour attendre cet objectif, l'Afrique doit s'attacher à organiser l'harmonisation et la convergence de certains critères macro-économiques. Les pays avec un déficit chronique et une dette publique importante sont aussi ceux qui ont des difficultés pour organiser d'abord la convergence de leur taux d'inflation (généralement trop élevé) et une discipline fiscale et monétaire[36]. La coopération entre des Etats africains, qualifiés parfois d'Etats défaillants sur le plan économique, d'Etats organisés en fonction des recettes instables imposées par les termes de l'échange (voir annexe 6) ou encore d'Etats dépendant des variations climatiques, sont d'autant de contraintes qui peuvent faire croire à un défi impossible à relever. Pourtant, il suffit de s'organiser collectivement et graduellement pour que la monnaie retrouve sa fonction puissante et dynamisante d'effet de levier.YEA.

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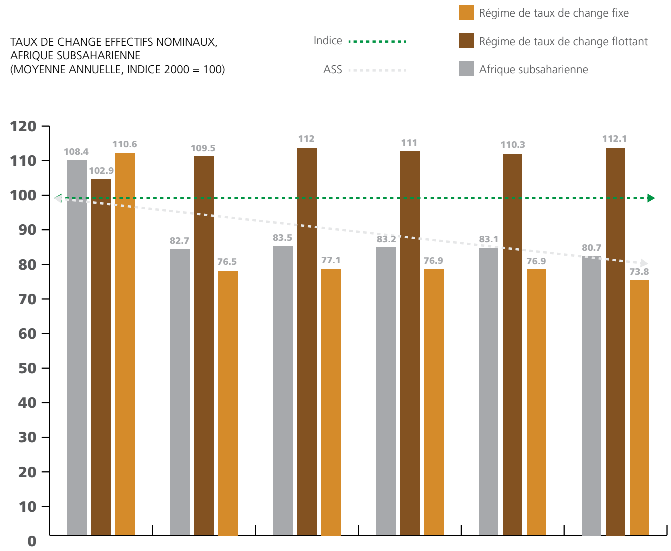
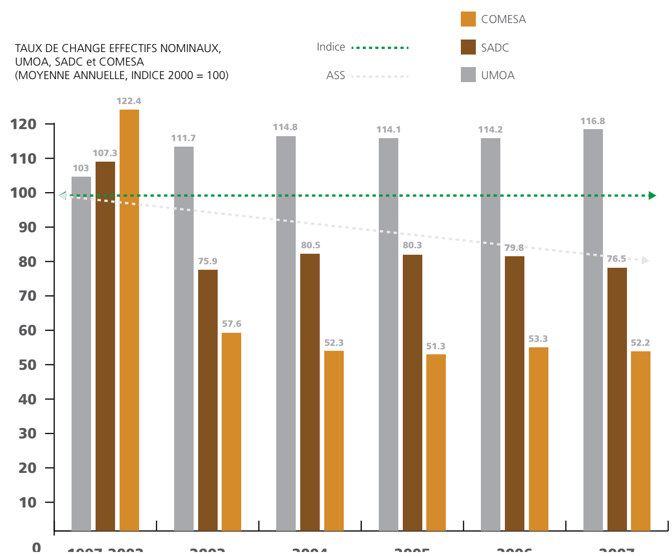
ANNEXES:

Liste des annexes:

Annexe 1: Taux de change effectifs nominaux, (Moyenne annuelle, indice 2000 = 100)



Source: FMI 2008, Perspectives économiques régionales: Afrique subsaharienne, octobre 2008, Washington, USA, p. 81.



Source: FMI, Perspectives économiques régionales: Afrique subsahairenne Oct. 2008, p. 81.

Annexe 2: Afrique subsaharienne: Indicateurs choisis (Moyenne annuelle 1980-2005, en % du PIB)

Régions en Afrique subsaharienne	Inflation, en %	Réserve internationale, en % du PIB	Total de la dette publique, en % du PIB	Solde du budget, en % du PIB (gouvernement central, dons inclus)
Afrique subsaharienne	16	11,4	93,7	-5,3
Pays CFA, taux fixe	5,4	12,1	112,9	-4,1
Pays Non-CFA avec taux fixe	8,9	10,7	46,6	-2,2
Pays non CFA avec taux flottant	26,2	8,8	97,4	-6,2

Sources: A. Baldini & M P Ribeiro 2008, "Fiscal and Monetary Anchors for Price Stability: Evidence from Sub-Saharan Africa", IMF Working Paper, WP/08/121, May 2008 et IMF, International Financial Statistics, World Economic Outlooks

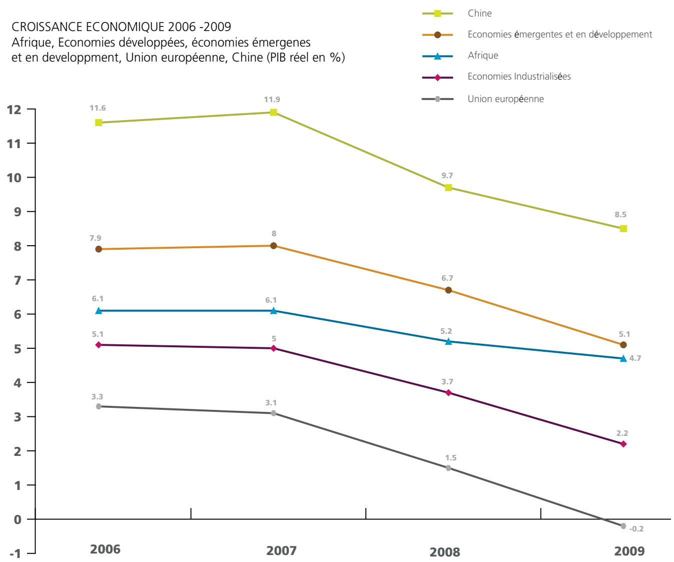
Annexe 3: Commerce intra-régional en Afrique, 1970-2006, en millions de $US

BLOCS REGIONAUX	1970	1980	1990	2000	2006
CEAE/EAC	-	-	230	595	**1.059**
CEDEAO/ECOWAS	86	692	1.532	2.715	**5.957**
CEEAC/ECCAS	162	89	163	191	334
CEMAC (ex-UDEAC)	22	75	139	96	245
COI/IOC	23	39	73	106	172
COMESA	392	609	1.164	1.448	3.546
SADC	483	617	677	4.383	**8.571**
UEMOA	52	480	621	741	1.545
UMA	60	109	958	1.094	2.400

CEMAC: Communauté économique et monétaire d'Afrique centrale
COMESA: Marché Commun de l'Afrique Orientale et Australe
CEEAC: Communauté Economique des Etats d'Afrique Centrale
CEDEAO: Communauté Economique des Etats de l'Afrique de l'Ouest
CEMAC: Communauté Economique et Monétaire de l'Afrique Centrale
CEAE: Communauté des Etats de l'Afrique de l'Est
COI: Commission de l'Océan Indien
SADC: Communauté de développement des Etats d'Afrique Australe
UEMOA: Union Economique et Monétaire Ouest Africaine
UMA: Union du Maghreb Arabe

Source: World Bank, World Development Indicators 2004, p. 318 et WDI 2008, p. 336.

Annexe 4: Croissance de pays et régions choisis en 2009, PIB réel en %



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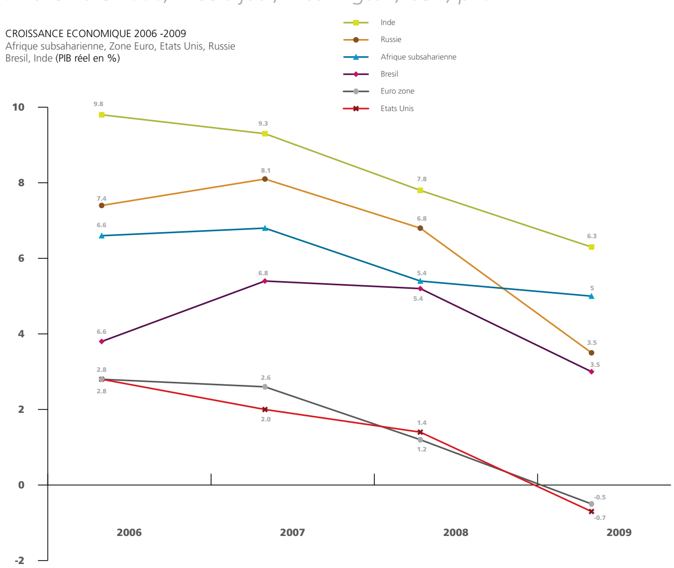


Source: A partir de FMI, PEM Nov. 2008, p.5.

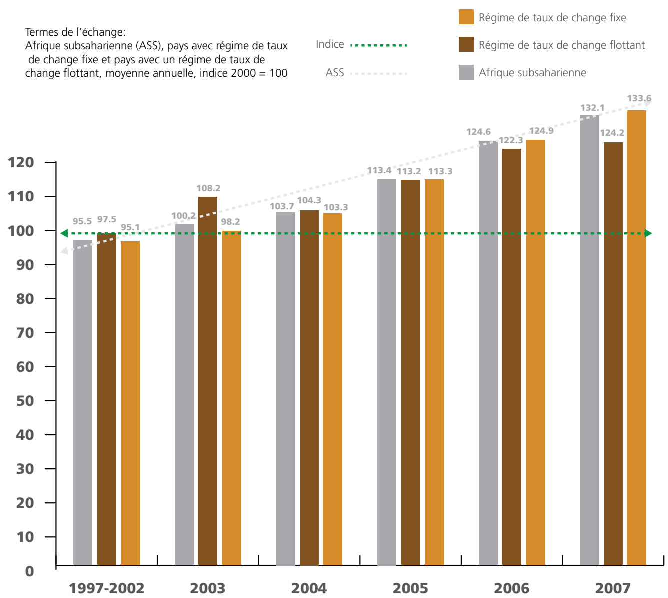
Annexe 5: Vers un aspect monétaire négocié: union monétaire optimale

Source: Yves Ekoué Amaïzo

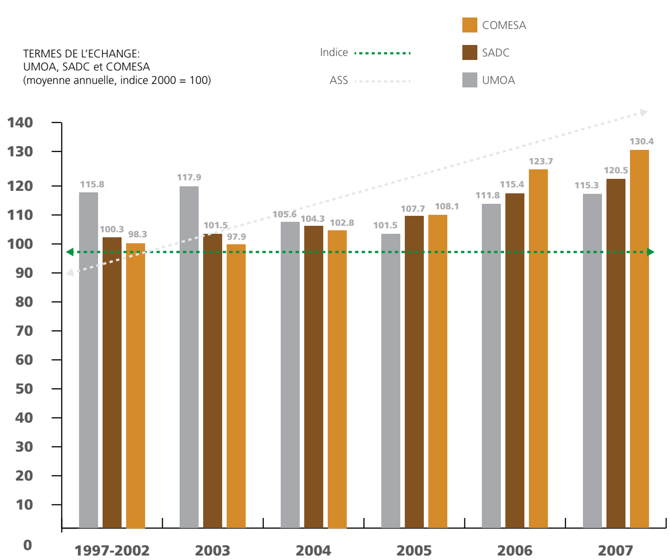
UNION MONETAIRE OPTIMALE:	ESPACES MONETAIRES			
Critères de Harrod-Belassa-Samuelson	**Euro**	**UMOA**	**CEDEAO**	**SADC**
Mobilités des facteurs	Oui, faible	Oui important	Oui important	Oui, faible
Taux d'ouverture	Oui, variable	Oui variable	Oui, faible	Oui, limité
Diversification des productions	Oui, fort	Non	Non	Non, mais émergente
Transferts fiscaux et stabilisation	Oui, faible	Non	Non	Non

Source: A partir des observations sur le terrain et analyses statistiques, 2008.

Annexe 6: Termes de l'échange: Afrique subsaharienne (ASS), pays avec régime de taux de change fixe et pays avec un régime de taux de change flottant, moyenne annuelle, indice 2000 = 100



Source: FMI 2008, Perspectives économiques régionales: Afrique subsaharienne, octobre 2008, Washington, USA



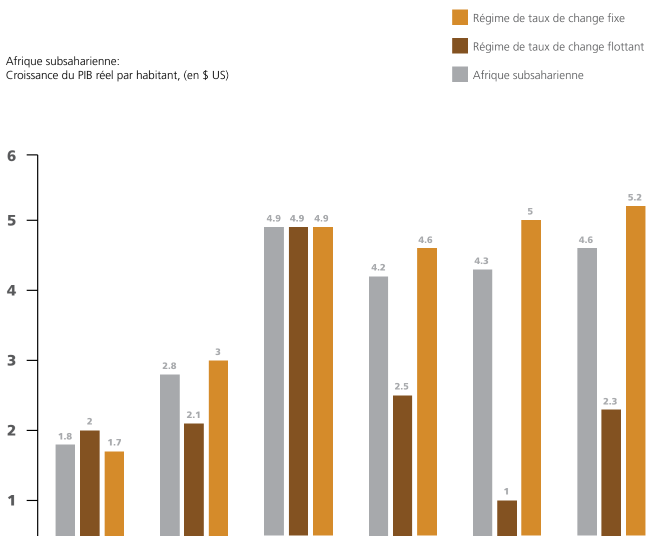
Annexe 7: Intégration régionale: de la théorie à la pratique

Source: Yves Ekoué Amaïzo

	ESPACES MONETAIRES							
	Euro		UMOA		CEDEAO		SADC	
Six étapes	Texte	Réalité	Texte	Réalité	Texte	Réalité	Texte	Réalité
1. Zones de préférence commerciale	**Oui**	**Oui**	**Oui**	**Oui**	**Oui**	**Oui**	**Oui**	**Oui**
2. Zone de libre échange	Oui	Oui	Oui	Oui faible	Oui	Non	Oui	Oui, faible
3. Union douanière	Oui	Oui	Oui	Non	Oui	Oui, faible effec-tivité	Oui	Non
4. Marché commun	Oui	Non	Oui	Non	Oui	Non	Oui	Non
5. Union économique et monétaire	Oui	Oui	Oui	Non	Non	Non	Non	Non
6. Inté-gration économique optimale	Oui	Oui en cours	Non	Non	Non	Non	Non	Non

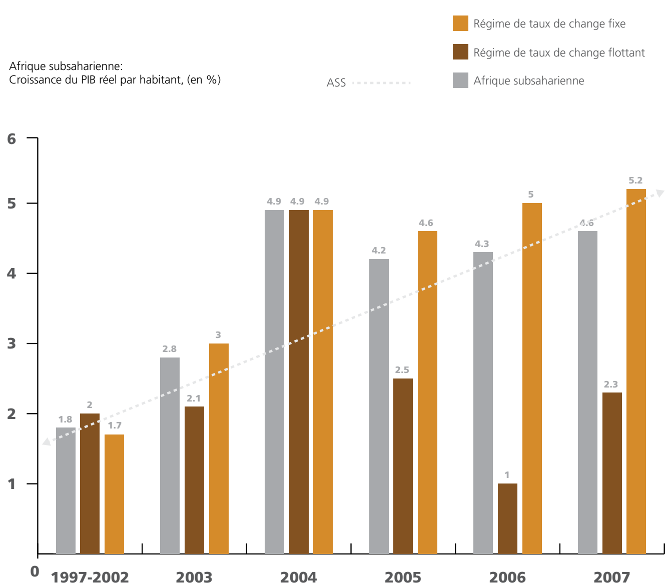
Source: A partir des observations sur le terrain et des statistiques, 2008.

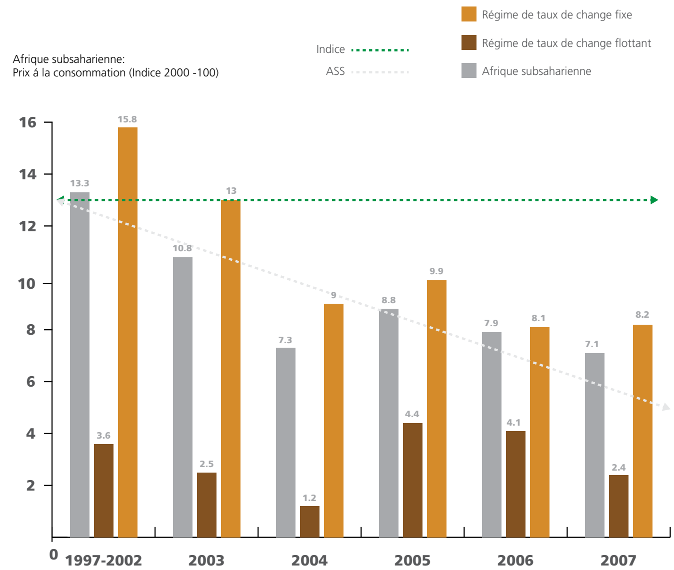
Annexe 8: PIB réel par habitant, en $ US: de 1997-2002 à 2007



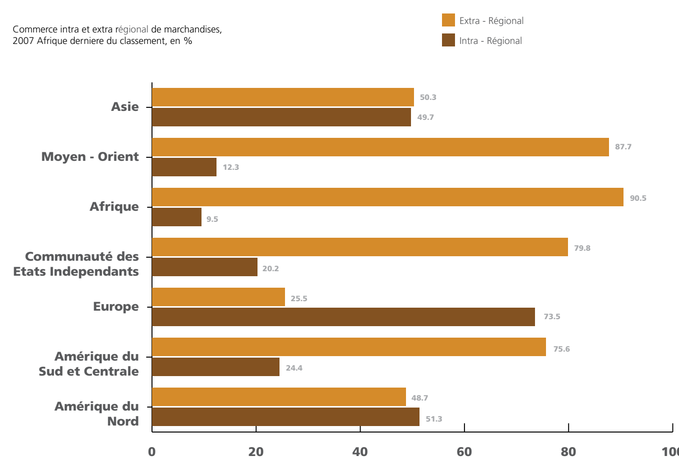
Source: FMI 2008, Perspectives économiques régionales: Afrique subsaharienne, octobre 2008, Washington, USA

Annexe 9: Croissance du PIB réel, en %; prix à la consommation: 1997-2002 à 2007



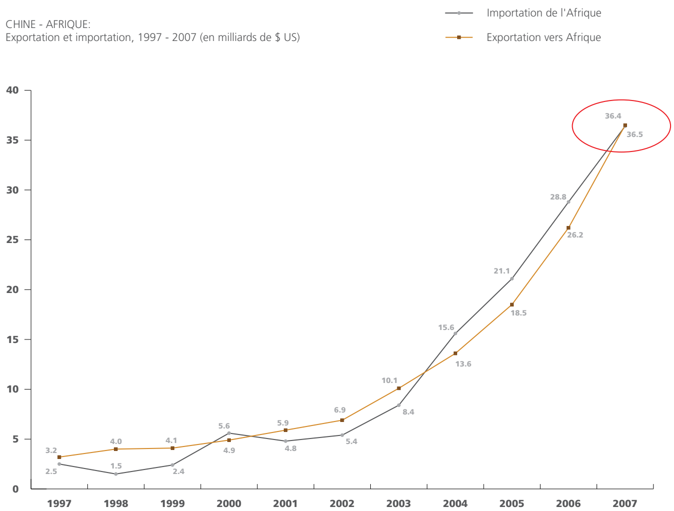


Annexe 10: Commerce intra- et extra- régional de marchandises en 2007, en % de la part mondiale



Source: WTO, international Trade Statistics 2008, Geneva, Switzerland, p. 17.

Annexe 11: Commerce entre la Chine et l'Afrique



Source: World Trade Organization, International Trade Statistics 2008, p. 205.

Annexe 12: Quelques unions monétaires en formation en Afrique

Source: FMI, Perspectives économiques régionales – Afrique subsaharienne, octobre 2008, Washington, USA, p. 58.

1. Les pays de la zone CFA (Communauté Financière Africaine) disposant d'un taux de change fixe entre leur monnaie et une monnaie extérieure:
   - UEMOA: l'Union économique monétaire ouest-africain avec les pays suivants: Bénin, Burkina-Faso, Côte d'Ivoire, Guinée-Bissau, Mali, Niger, Sénégal, Togo ;
   - CEMAC: la Communauté économique et monétaire de l'Afrique Centrale avec les pays suivants: Cameroun, Centrafrique, Congo, Gabon, Guinée équatoriale et Tchad.
2. Les pays de la zone non CFA[37] disposant d'un taux de change flottant entre leur monnaie et le reste du monde:
   - Zone monétaire de l'Afrique de l'ouest (WAMZ, West African Monetary Zone): Gambie, Ghana, Guinée, Nigeria and Sierra Leone, (Liberia a indiqué son intérêt de rejoindre le groupe)
3. Les pays non membres des ces deux zones et disposant d'un taux de change flottant entre leur monnaie et le reste du monde.
   - Ces pays ont leur propre monnaie et une banque centrale autonome ainsi qu'une monnaie propre; on peut citer: Algérie, Djibouti, Egypte, Erythrée, Ethiopie, Lybie, Maroc, Soudan, Tunisie.

Annexe 13: La formation de l'espace monétaire eurozone: 1990 – 2008

Source: Paul DE GRAUWE 2007, Economics of Monetary Union, 7 Edn, Oxford University Press, USA

Les principaux membres de l'Europe ont mis en route une union économique et monétaire pour neutraliser ces entraves. Mais avec les accords de Bâle en 1972, il a fallu graduellement structurer un *«serpent monétaire»* entre 1972 et 1978 avec 5 monnaies[38] afin de limiter les fluctuations de change entre les pays membres.

En 1979, le système monétaire européen a succédé au serpent monétaire avec trois principes fondamentaux:

- La création d'un étalon monétaire (l'ECU - *European currency unit*), défini sur la base d'un panier de monnaies pondérée selon le poids économique[39];
- Les banques centrales avaient pour mission de conserver le taux de change de leur monnaie autour d'un taux pivot arrimé à l'ECU;
- L'obligation faite aux autorités monétaires de coopérer notamment en imposant aux banques centrales de se soutenir mutuellement afin de maintenir et garantir la stabilité des taux de changes. Une structure (le Fond européen de coopération monétaire – FECOM) a été créée pour intervenir sur les marchés en cas de besoin.

En parallèle, l'évolution vers le marché commun gagnait en opérationnalité. En 1986, l'Acte unique européen a consacré le principe de libre circulation des marchandises, des services, des hommes et des capitaux. En 1989, le rapport Delors, du nom du Président français de la Commission de l'époque Jacques Delors, a posé comme principe la fixité définitive des taux de change pour réussir l'union économique et monétaire européen avec une mise en œuvre en trois phases:

1990-1992: Première phase de l'UEM

Dès le 1er juillet 1990, le principe de l'abolition de toutes les restrictions aux mouvements de capitaux entre les Etats membres fut adopté. Le Comité des gouverneurs des banques centrales des États membres de la Communauté économique européenne a vu sa mission de consultations s'élargir vers celui de la coordination des politiques monétaires afin de réaliser la stabilité des prix. Des modifications institutionnelles du Traité de Rome de 1958 instituant le Communauté économique européenne étaient nécessaires et ont abouti au Traité instituant la Communauté européenne, signé le 7 février 1992 à Maastricht. Dans les annexes du Traité, il faut faire référence au statut sur le système européen des banques centrales, celui de la Banque centrale européenne (BCE) et celui de l'Institut monétaire européen, entrés en vigueur en le 1er novembre 1993.

C'est bien le Traité de Maastricht qui créa l'Union européenne et les conditions du passage à la monnaie unique avec les fameux critères de convergence, conditions d'intégration de l'Union monétaire qui reposent sur les cinq points suivants:

- Le taux d'inflation ne doit pas excéder de plus de 1,5 % celui des trois pays membres ayant les plus faibles taux d'inflation;
- le déficit budgétaire doit être inférieur à 3 % du PIB;
- un endettement public inférieur à 60 % du PIB;
- les taux d'intérêts réels à long terme ne doivent pas excéder de 2 % celui des trois pays membres ayant les plus faibles;
- pas de dévaluation monétaire dans les deux années précédant l'intégration à l'union monétaire.

1993-1998: Deuxième phase de l'UEM

Le 1er janvier 1993, c'est l'ouverture effective du marché unique. L'institut monétaire européen (IME) a démarré ses activités le 1er janvier 1994 mais ne faisait pas des interventions de change. Les autorités nationales avaient conservé la prérogative de la conduite de la politique monétaire. Les deux missions principales de consultation de l'IME consistaient à :

1. renforcer la coopération entre les banques centrales nationales et la coordination des politiques monétaires; et à
2. assurer la préparation nécessaire à l'instauration du Système européen de banques centrales (SEBC), à la conduite de la politique monétaire unique et à la création d'une monnaie unique, lors de la troisième phase
3. structurer les relations entre la zone euro et les autres pays de l'UE.

C'est en 1995 que le Conseil européen a décidé que l'unité monétaire européenne serait l'Euro et débuterait le 1er janvier 1999 selon un calendrier annoncé à l'avance. En décembre 1996, c'est l'IME qui a proposé le nouveau mécanisme du taux de change adopté en juin 1997.

Afin de compléter et de préciser les dispositions du Traité relatives à l'UEM, le Conseil européen a adopté, en juin 1997, le Pacte de stabilité et de croissance a été adopté et porte sur la discipline budgétaire et les engagements des Etats en 1998. Le 2 mai 1998, 11 pays remplissant les conditions pour adopter la monnaie commune et unique le 1er janvier 1999 (Allemagne, l'Autriche, Belgique, l'Espagne, Finlande, France, Irlande, Italie, Luxembourg, Pays-Bas, Portugal). Ces pays ont nommé le directoire de la BCE notamment le Président et le vice-Président.

Les ministres des finances des États membres ont adopté la monnaie unique puis avec les gouverneurs des banques centrales nationales des États membres concernés, la Commission européenne et l'IME, ont décidé que les cours-pivots bilatéraux des monnaies des États membres serviront à déterminer les taux de conversion irrévocables de l'Euro.

End Note

Le 25 mai 1998, les gouvernements des onze États membres participants ont nommé le Président, le vice-président et les quatre autres membres du directoire de la BCE. Leurs nominations, qui ont pris effet à compter du

Le 1er juin 1998, la BCE a été mise en place et constitue avec les banques centrales nationales des États membres participants l'Eurosystème, qui formule et définit la politique monétaire unique. L'IME, ayant fini sa mission, a été fermée.

1999-2008: Troisième phase de l'UEM

Le 1er janvier 1999, la mise en œuvre de la fixation irrévocable des taux de change des monnaies par les onze premiers Etats membres de l'Union monétaire et la politique monétaire unique sous la responsabilité de la BCE est effective.

Les marchés financiers utilisent l'Euro dès 1999 dans la zone euro et la monnaie fiduciaire est introduite en 2002. La Grèce a rejoint l'UEM le 1er janvier 2001 et la Slovénie au 1er janvier 2007. Chypre et Malte adoptent l'Euro au 1er janvier 2008.

1 ANONYME 2008, "G20: L'Afrique veut être entendue", *Le Parisien et l'AFP*, 16 novembre 2008, <http://www.leparisien.fr/economie/g20-l-afrique-veut-etre-entendue-16-11-2008-311408.php>

2 De la zone de préférence commerciale à l'intégration économique optimale.

3 AEC: African Economic Community

4 WTO, *International Trade Statistics 2008*, Geneva, Switzerland, p. 10.

5 Il faut citer la Russie qui a prêté à l'Islande, un Etat devenu défaillant suite à la crise financière, et la Chine qui a permis de sauver les principales banques et sociétés d'assurance ainsi que les fonds islamiques qui fondent leur système sur le *«refus de la prise d'intérêt»*, qui sont ainsi devenus malgré eux des prêteurs en dernier ressort. Même la Libye a été appelée au secours pour renflouer des banques comme UNICREDIT en Italie.

6 Bwemba BONG, «Zone monétaire de l'Afrique Noire: Passé, Présent et Futur», voir sur le site Internet <http://www.africamaat com/article.php3?id_article=243&artsuite=2>

7 La Livre Sterling était la monnaie de réserve par excellence au cours des 18e et 19e siècles.

8 Sources: 1995-1999, 2006-2007 IMF: Currency Composition of Official Foreign Exchange Reserves Sources: 1999-2005, ECB: The Accumulation of Foreign Reserves.

9 Le Bénin peut servir d'exemple, voir Yves Ekoué Amaïzo, "Bénin, "real Politique" sans discussion", in *Risques Internationaux*, numéro 109, novembre 2008; avec 45,4% du total des importations du Bénin en 2007 provenant de la Chine, le Bénin n'a pas encore compensé son solde commercial négatif (-7 %) avec ce pays. Le Bénin exporte 38,3 % vers la Chine. Les importations de la France ne sont plus que de 8,3% en 2007, soit plus de cinq fois moins qu'entre le Bénin et la Chine, voir EIU, *Benin Country report October 2008*, p. 4.

10 Yves Ekoué AMAÏZO, «De la zone franc à la zone euro: de la régionalisation des monnaies africaines», in *Revue Nord-Sud XXI*, n° 17 (5), 2001, pp. 71 à 123 – voir page 97.

11 Alfredo BALDINI & Marcos Poplawski RIBEIRO, *Fiscal and Monetary Anchors for Price Stability: Evidence from Sub-Saharan Africa,* IMF Working Paper, WP/08/121, May 2008, p. 25.

12 Yao Séraphin PRAO, «le Franc CFA dans l'ornière de la dévaluation», in *L'Info alternative, février 2008,* http://www.alterinfo.net/LE-FRANC-CFA-DANS-L-ORNIERE-DE-LA-DEVALUATION_a16873.html et < http://www.mlan.fr/cfadevaluation.htm >

13 FMI, *Perspectives économiques régionales: Afrique subsaharienne*, octobre 2008, p. 78

14 Le *«yuan»* est la devise nationale de la République populaire de Chine "yuan renminbi» (en chinois «yuan monnaie du peuple», abrégé en *«RMB»).* Son symbole latinisé est ¥ (même si l'usage

consiste à ne mettre qu'une seule barre sur le Y). En chinois simplifié: 元 et en chinois traditionnel: 圓 et yuán en pinyin; voir *Chine Informations*,http://www.chine-informations.com/guide/le-yuan-ou-renminbi-rmb-la-monnaie-chinoise_771.html

15 FMI 2008, *Perspectives économiques régionales: Afrique subsaharienne*, octobre 2008, Washington, USA. p. 81.

16 Economic Intelligence Unit, *Benin Country Report*, October 2008.

17 IMF a, op. cit., p. 63.

18 Cette situation, basée sur une approche empirique de l'économie, apparaît dans des espaces monétaires en période de fortes inflations où les agents économiques préfèrent les monnaies étrangères et évitent la monnaie officielle (légale). Il arrive dans le cas des trocs que des biens réels soient préférés à la monnaie comme le pratiquent les autorités chinoises en Afrique dans le cadre du partenariat «*gagnant-gagnant*».

19 Jeffrey FRANKEL 2004, *Real convergence and euro adoption in Central and Eastern Europe: trade and business cycle correlations as endogenous criteria for joining EMU*, in Harvard University Working Paper, John F. Kennedy School of Government, Aug. 2004, Cambrigde, Massachussets, USA, 22 pages.

20 Yves Ekoué AMAÏZO, *«Nouvelles institutions financiers africaines: la diversification en marche»,* in *le Continental,* n° 75, Novembre 2008, p. 28.

21 J. TICA & I. DRUZIC 2006, *The Harrod-Balassa-Samuelson Effect: A Survey of Empirical Evidence*, FEB Working paper series No. 0 6-0 7, University of Zagreb, Croatia, viewed on <http://web.efzg.hr/RePEc/pdf/Clanak%2006-07.pdf>

22 György SZAPARY 2001, "Transition Countries' Choice of Exchange Rate Regime in the Run-Up to EMU Membership", in *Finance & Development*, IMF Journal, June 2001, Volume 38, Number 2, viewed 14 November 2008 on <http://www.imf.org/external/pubs/ft/fandd/2001/06/szapary.htm>

23 Josip TICA & Ivo DRUZIC 2007, *The Harood-Balassa-Samuelson Effect: A Survey of Empirical Evidence*, FEB Working paper series No. 0 6-0 7, University of Zagreb, Croatia, viewed on <http://web.efzg.hr/RePEc/pdf/Clanak%2006-07.pdf>

24 A LIPIÑSKA 2008, *The Maastricht Convergence Criteria and Optimal Monetary Policy for the EMU Accession Countries,* Working Paper European Central Bank ECB, No. 896, May 2008, viewed http://www.ecb.int/pub/pdf/scpwps/ecbwp896.pdf

25 Ces critères sont inspirés des critères de Maastricht, eux-mêmes en pleine "réforme" du fait de la crise financière, avec l'incapacité de grands pays comme l'Allemagne et la France à respecter ces critères et l'entrée des pays de l'Europe de l'Est dans la zone Euro.

26 Voir aussi « La Fondation pour une Histoire de la Civilisation européenne», 13ème Colloque de la Fondation, 30 nov. -1er décembre 2007, voir:< http://www.civeurop.org/doc/col/PROGRAMMEprovisoire-13eme-Colloque-de-la-Fondation.pdf>

27 Paul MASSON and Catherine PATTILLO 2001, Monetary Union in West Africa (ECOWAS), *IMF Occasional Paper* No. 204, Washington, USA

28 Falila GBADAMASSI 2003, "Nouvelle monnaie commune en Afrique de l'Ouest: Une devise pour les pays hors de la zone CFA: l'Eco", in *Afrik.com,* 30 octobre 2003< http://www.afrik.com/article6735.html>

29 WORLD TRADE ORGANIZATION, *Regionalization and the World Trading System*, April 1995, Geneva, Switzerland

30 Article 19: Les institutions financières: L'Union africaine est dotée des institutions financières suivantes, dont les statuts sont définis dans des protocoles y afférents: a) la Banque centrale africaine; b) le Fonds monétaire africain; c) la Banque africaine d'investissement; voir sur l'Internet: Acte constitutif de l'Union africaine: http://www.aidh.org/Biblio/Txt_Afr/Ua_actconstit.htm

31 Romain VEYRUNE 2007, "Fixed Exchange Rates and the Autonomy of Monetary Policy: The Franc Zone Case", in *IMF Working Paper* n° 07/34, IMF Washington, USA

32 WEST AFRICAN MONETARY INSTITUTE 2003, *Preliminary Study Report on Banking Supervision in the WAMZ,* 10-11 August 2003, WAMI, Accra, Ghana

33 Yves Ekoué Amaïzo, *"Bretton-Woods II. L'Afrique sous-estimée",* viewed on Afrology Think Tank Editorial, Novembre 2008, < http://www.afrology.com/>

34 Yves Ekoué Amaïzo, *De la dépendance à l'interdépendance. Mondialisation et marginalisation. Une chance pour l'Afrique ?,* collection «interdépendance africaine», éditions L'Harmattan, Paris, 1998.

35 Bwemba-Bong, «Zone monétaire de l'Afrique Noire: Passé, Présent et Futur», voir sur le site: http://www.africamaat.com/article.php3?id_article=243&artsuite=2

36 Alfredo Baldini & Marcos Poplawski Ribeiro 2008, *Fiscal and Monetary Anchors for Price Stability: Evidence from Sub-Saharan Africa*, IMF Working Paper, No. WP/08/121, May 2008 (see Annex 2).

37 Yves Ekoué AMAÏZO, «De la zone franc à la zone euro: de la régionalisation des monnaies africaines», in *Revue Nord-Sud XXI*, n° 17 (5), 2001, pp. 71 à 123 – voir page 97.

38 Deutsche Mark, Franc, Florin, Couronne danoise et Franc belge.

39 A l'époque, le Deutsche mark avait un poids de 32% et le Franc français avec 20% et la Livre sterling avec 11%.

MONETARY UNION IN AFRICA:

A benefit for economic independence?

By Jonathan L. Addison, BEc ACIS CFTP (Snr) AICD

Contents

SUMMARY

This paper suggests that a single currency for Africa is a long way off and that there should be other priorities for Africa in seeking economic independence and a growth in the standard of living for most Africans. The continent is economically diverse and has vastly different resource bases inflation rates and monetary policy. This is not to say that Africa should not strive towards a harder currency policy and in respects should work together. It is acknowledged that there are existing currency zones amongst the Francphone nations. There may even be natural communities that can strengthen regional economic communities, (i.e. the East African Community).

The paper does argue for the creation of a supra-national body (or bodies) that would play part of the role of a central bank and impose fiscal and monetary policy constraints on national governments, and thus move towards currency stability. This is more important than the creation of a single currency.

It is also important to understand the concerns of the weaker countries (economies) in trying to match their fiscal and monetary policies to those of stronger economies. In some cases it may well be of benefit to tie a currency to a hard currency and maintain an independent policy and allow movements within a range. This could be the $US or even the Euro where the Euro-zone is a stronger trade partner, or perhaps to a local currency such as the Rand.

The challenge is as much political as economic. It takes a great act of courage for national politicians to cede part of their sovereignty to outside bodies that are independent of political control. The example of the European Union is testament to this.

> *It is a journey well worth embarking on.*

INTRODUCTION

In 1960 Harold Macmillan[1] gave his "winds of change speech" and what followed was an increasing pace of movement towards political independence in Africa from the European powers. This spread inevitably towards Southern Rhodesia (Zimbabwe) and finally South Africa, thus making the whole continent politically free. In the 1960s this produced a great hope for Africa and its peoples but by 2008 much of this hope lies in ruins. In the words of Desmond Tutu;[2]

> *The gravy train stopped long enough for one group to get off and another group to get on.*

Yet Africa is rich in resources, agricultural, mineral, energy and human capital. Africa has also been plundered for too long by outsiders. It is time for Africa to move towards full political and economic independence. It needs to do this in concert with well meaning people and governments around the world. It demands men and women of goodwill. It is not just an African problem.

What are the ingredients?

1. Good internal governance and the rule of law.[3]
2. Proper pricing of African labour and resources
3. An end to mendicancy
4. A belief in the brotherhood of mankind
5. Abolition of the gravy train
6. Self belief

These six, over a generation could transform Africa into a modern self confident society. There are precedents for this. In 1960, the countries of South East Asia were at a similar level of economic and social development as much of Africa is today. There was also civil strife and war. Today South East Asia is growing in influence and prosperity; those nations even suffered the 1998 crisis but have emerged with stronger currencies and financial systems. It can be done.

Towards the Creation of a Single African Currency: Review of the Creation of Single African Currency. Which optimal approach to be adopted to accelerate the creation of the unique continental currency?

In the move towards a single currency there are a number of prerequisites which need to lead to economic convergence either continent wide or through RECs.

It will also require the creation of one or more supra-national bodies with a high level of independence from national governments. The role of these bodies will be to impose fiscal and monetary discipline on national governments. This is a significant political as well as an economic hurdle.

There is some statistical evidence to demonstrate that economies are starting to synchronise and that there is some convergence in inflation interest rates and inflation rates.

In the current global crisis it will be interesting to see the individual impacts on the different African economies. In a recent (October 2008) IMF report[4] they commented that Sub-Saharan Africa's prospects have deteriorated and risks have increased with overall growth falling to below 6%pa. Sub-Saharan Africa has been adversely affected by global food and energy (particularly amongst the oil importers) inflation. This has now been exacerbated by the current crisis; inflation which had been falling is expected to rise to 12% in 2008 but (hopefully?) will fall back to 10% in 2009. Nevertheless there are substantial risks arising out of the crisis and the expectation of global economic slowdown/ recession. The heightened volatility in commodity prices is also a risk for African economies.

The G20 economies are acting in concert to reduce the impact of the crisis but at the time of writing the actual impact is still too early to predict, and the long term changes to the global financial system remain to be seen.

This makes it essential for Africa, perhaps through the African Union to work together, as Sub-Saharan Africa is most vulnerable and needs to bolster the internal economies. Arising out of the current financial crisis we may well see a re-alignment of world currencies that could be as profound as Breton Woods, we may also see a new order whereby the $US is not the only reserve currency as it has not proved to be a stable *store of wealth*.

CURRENCY STABILITY

The benefits of currency stability for an economy are well known, and the desire for a hard(ish) currency is both laudable and necessary for economic development. The question then becomes should a developing country move away from free floating currencies and peg their currency to some external benchmark, The $US?. This has at times worked well in Asia except during the 1998 Asian Financial Crisis. On the other hand does it unnecessarily restrict the ability of policy makers?

There are clear examples of developing countries that have allowed higher inflation rates to exist so as to also allow economic growth. South Korea for example allowed an inflation rate of around 11%pa during its major growth phase. What is dangerous is a move to hyper inflation caused by over spending and unwise spending.

In 2005 in a paper presented[5] at the Symposium marking the 25th anniversary of the Central bank of Lesotho Andrew Mullei the then Governor of the Central Bank of Kenya made the following comments.

From the 1960s, armies of scholars, policy makers, advisors, and political leaders, have been formulating and implementing strategies aimed at achieving macroeconomic stability, economic growth and poverty reduction. To achieve these objectives, most African countries at independence in the 1960s singled out and focused on attracting resources to bridge the capital adequacy gap as key to unlocking development. Strategies were adopted, and the armies went into the war. Countries therefore started borrowing without thinking of stabilisation

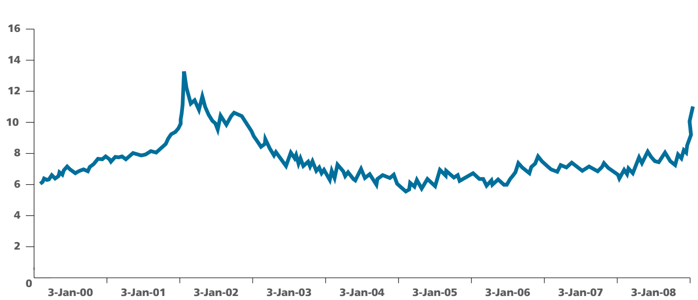
Economic development in Africa has been hampered by a capital adequacy gap; part of the question has been how to fill this gap. In the 1950s and 60s it was thought that economic growth could result from a transformation to a modern economy by importing technology and capital and thus substituting a primary based, and significantly subsistence economy with industrialisation.

One of the key ingredients for this was a ready supply of foreign exchange which was not available, and thus led to a dependence on aid which is not always well directed or indeed helpful.

African currencies have been badly hit by the global financial crisis but there have been other disruptions in the last year or so. Falling commodity prices and reduced foreign demand are likely to hurt a number of African economies; foreign investment, remittances and foreign aid are likely to fall. The recent falls in the oil price hurts producers such as Nigeria (importers are of course happy to see these falls). The Naira has held up well but other currencies have been weaker. Falling copper prices have caused Zambia's currency to fall by 24% against the dollar since August. Other domestic factors, such as Kenya's political fragility following the post-election violence earlier this year, have also hurt local currencies, with latest inflation up to 15% and food prices rising even faster.

The South African Rand has for a long time been quite a volatile currency as shown in the chart below:

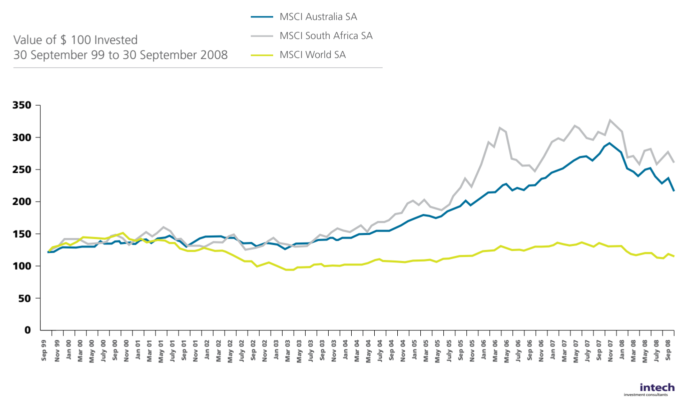
ZAR per $ US 1



Source: US Federal Reserve Board

This volatility is clearly difficult to manage and to some extent the Rand is commodity based, and is seen as that in other parts of the world.

This point is further demonstrated by the following graph comparing the performance of the South African stock market with Australia (another commodity based economy) with the world market in the period since September 1999. It could also be a problem for other countries tying their currency to the Rand.



Monetary union does not necessarily mean the adoption of a single currency The European Commission has distinguished between three/four types of currency integration:

- An informal mechanism such as the now discredited EMS, under this arrangement currencies are fixed within adjustable margins
- A formal union where currencies fluctuate within narrow margins and there is a strong degree of coordination between central banks. For example the currencies and monetary policies of Lesotho, Namibia, and Swaziland are closely aligned to the Rand, (This may well have to happen in South Africa?)
- Full monetary union such as the Euro Zone and the CFA franc zone which requires a single central bank with real power.
- The adoption of another countries currency (Dollarization or even Euroization?) this is often done to achieve economic and monetary stability.

ENCOURAGE INWARDS INVESTMENT

To move from a dependence of foreign aid to a properly working economy will still require injections of foreign capital, but this should be in the form of investment and by way of partnership. Foreign companies should be encouraged to set up business in Africa but not on any terms.

Africa has long been exploited by foreigners in many ways. Investors in the 21st century must come to understand that they need to pay a proper price for their resource utilisation, and must pay proper wages to local employees. In other word there must be a *social contract* involving capital, land (Africa's rich heritage) and workers. If economic blocs can work together they are in a better position to be price takers.

In return for these, foreign investors should expect that the politico-legal system will be stable and encouraging and that there is an ability to repatriate profits in an orderly manner and that the exchange rates will not adversely impact their investments.

The need for a sound legal system and the rule of law is crucial in this; just as it is crucial in economies such as India and China. Investors need to understand the law, and be confident that it won't be subject to rapid and unheralded change, or the vagaries of individual interpretation. This latter has proved problematic for investors in some of the emerging Asian economies.

Political unrest and instability is a much bigger deterrent to investment, than some exchange rate instability (again barring the current Zimbabwean hyper inflation). It also takes a number of years to restore confidence.

DEVELOPMENT OF INTERNAL CAPITAL MARKETS

Moving forward there is scope to develop capital markets in Africa, both for locals and foreign investors.

> *Back in 2000 the chairman of the Nairobi Stock Exchange, Mr Jimnah Mbaru has said that 'African stock markets should integrate if they are to become efficient sources of investment capital. He said that with the exception of the Johannesburg Stock Exchange (JSE), bourses in Africa were too small and lacked liquidity. The JSE is Africa's largest and most vibrant stock market accounting for over 90 per cent of the total market capitalisation of sub-Saharan Africa and over 76 per cent for the entire continent. 'Integration will improve liquidity by providing a larger market from which to tap capital for investments. A workable option would be to combine forces at the regional level before the eventual creation of a single stock market for the continent with the JSE as the pivot,' he said.*
>
> *Mr Mbaru said this last week at the University of Stellenbosch in Cape Town, South Africa, during an African investment conference. He spoke in his capacity as the chairman of the African Stock Exchanges Association. He proposed a new approach through which money could be channelled to private sector-managed pension funds for civil servants, teachers and members of the disciplined forces as a way of spurring the growth of stock exchanges on the continent. 'Pension funds are major players in capital markets. Private sector pension funds will ensure that contributors are free to participate in socio-econo-political reforms,' he said.*
>
> *Mr Mbaru said that heightened competition would greatly disadvantage fledgling*[6] *bourses on the continent and called on African countries to accelerate the liberalisation of the telecommunications sector to benefit from emerging trends such as electronic commerce. Globalisation had brought with it dangers,*

including volatile capital flows and unpredictable investor sentiment which had affected Africa. He cited the 1994 Mexican crisis and the Asian contagion as warning signs. He said that reforms on the political and economic fronts in Africa, had resulted in an improvement in real per capita growth from an average of 0.8 per cent in 1965 to two per cent currently and called for consolidation of the gains made. Stock exchanges must be on the frontline of economic reform, he said. The debt problem in Africa was grim with external debt hitting a peak of $228 billion, he observed, and urged the G7 industrialised countries to extend the Heavily Indebted Poor Countries (HIPC) initiative to cover other countries. 'Since the HIPC was launched in 1996, only six countries-three of them in Africa (Uganda, Cote d'Ivoire, and Mozambique) have benefited. Debt relief can only be useful if it is done in the shortest time possible,' he said. He called for banking sector reforms, the systematic development of long-term savings instruments and the bond markets as important planks in evolving more robust stock exchanges on the continent."

Whilst there have been a lot of change since 2000 the basic argument that a properly working stock market is an essential aspect of economic development has not changed.

In most countries there are a few pension funds or social security funds that can be used internally. For example the National Social Security Fund in Uganda has assets of 481 billion shillings (UGX) (around $US 241 million). This is just one example most countries have pension funds for civil servants and others

One of the largest of such pension funds is GEPF in South Africa Established in 1996 through the consolidation of various funds, including the Government Service Pension Fund, the GEPF has approximately 1,14 million (2006: 1,08 million) contributing members and 303 977 (2006: 295 546) pensioners. It is a self-administered, defined benefit pension fund committed to effectively and efficiently providing benefits to members, pensioners and beneficiaries. It is also the largest pension fund in South Africa, and possibly the continent. This fund has assets of R662 billion ($67 billion).

The above are just examples. There are many other pension funds and other funds with investible money.

There is also the ability to tap the world's pension funds and indeed the so called sovereign wealth funds which are likely to be major players in the global financial markets post the current crisis.

In investing in emerging markets there are a number of impediments:

1. Financial volatility
2. Regulatory risk
3. Sovereign risk
4. Political risk

To name but a few.

Overtime these risks are priced by investors and the *risk-premia* are reduced as the market players' gain in confidence, thus reducing the cost of capital.

Investors in the past have had both good and bad times from investing in emerging markets in Asia, Latin America and Eastern Europe. Africa has been largely ignored as the sovereign and political risk has been perceived as too high.

Whilst the economies of Africa are not necessarily ready for monetary union there is a strong argument to suggest that there should be a common regulatory regimen, and an understanding that investors confront a common set of rules regarding such things as entry and exit to markets, a proper understanding as to ownership rights and obligations. Importantly investors from outside the region need to know how to repatriate their money and have an understanding that these rules are clear and not subject to sudden and capricious change. This may be the role of a supra-national regulatory authority with the ability to apply sanction against any country that fails in its obligations.

Political risk is a major detractor for foreign investors and Africa has had more than its fair share of political instability.

This perception unfortunately cannot be solved by mere words and undertakings. It can only be resolved through experience, and this experience should be accompanied by peaceful changes of Government and some continuity of purpose.

Capital markets include equity markets but these are not the only markets. Money markets, property markets must also be governed by the same set of rules.

Governmental debt has bedevilled Africa for too long, and only slow progress has been made in the forgiveness programme, as too few states have met the criteria imposed from outside. In developing economic infrastructure, the use of public/private partnerships where the private sector holds some equity or quasi equity may be a better solution than aid, provided the revenue stream is regulated in some way.

Whilst the AU consideration of a single currency would appear to move towards solving some of these issues it is felt that it is too early and as earlier papers have suggested a move towards a number of currency blocks and pegging currencies perhaps to the Euro may just work. The natural currency blocks would include the East African Community, a West African currency block (either an expansion of, or in addition to the existing Franc-phone blocks) and the South African economic area (let's put Zimbabwe in the car park for the time being)

At the recent Congress held in Nairobi (March 2nd to 5th) a number of presenters lamented the lack of internal infrastructure in Africa, and the lack of intra-African trade. This is seen as an impediment to economic convergence, and the move to a single African currency.

This lack of economic infrastructure is another argument for the use of internally generated funds that may be used for building better, roads, ports, airports and communications that will facilitate trade and at the same time provide a commercial rate of return for pension funds and social security funds. It may also assist in generating a *savings culture* in the African nations. The financing of such projects may be a combination of both debt and equity; there are now a number of fund management groups that have developed expertise in the design of infrastructure funds.

The use of funds in this manner must be accompanied by commercial pricing policies on a *user-pays* basis, so as to service the debt, or pay the equity holders.

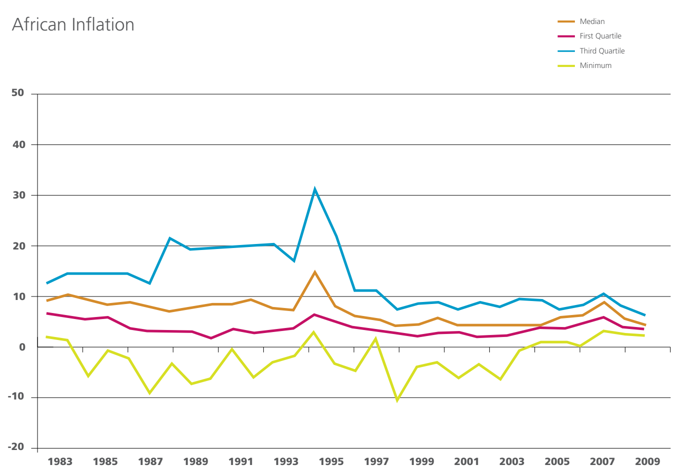
This latter has proved a great benefit in the developing economies of Asia and will reduce the dependence on foreign aid.

Further, as Africa builds a better reputation for political and regulatory consistency this will enable the growth of inwards investment.

Social infrastructure, schools, hospitals etc. Are more problematic as they are generally less capable of being income producing.

AFRICAN ECONOMIC PERFORMANCE

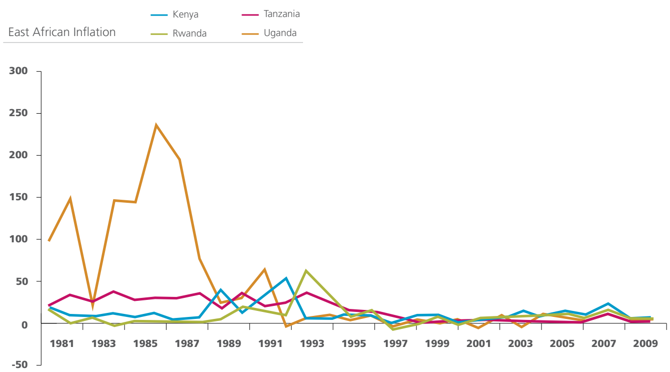
The following graph shows the statistics on African Inflation since 1982 with estimates for 2008 to 2010. Zimbabwe is included in the statistics thus it was necessary to exclude the mean and the maximum. The full statistics are presented in the Appendix.



Source: International Monetary Fund, World Economic Outlook Database, October 2008

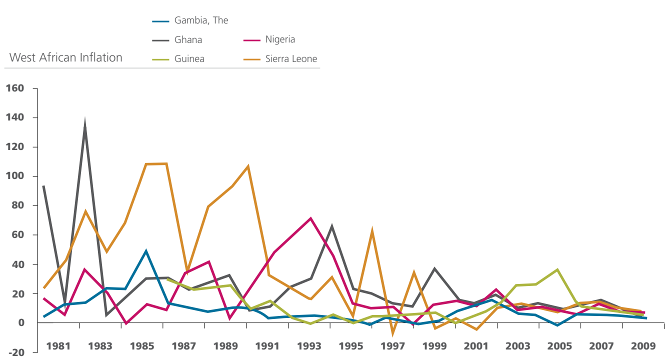
This does show some narrowing of the range, importantly with most countries inflation rates falling below 10% pa. The forward estimates for 2009 and 2010 are somewhat problematic in the current environment. It is noted that the peaks such as 1994 and 2007 are related to political and civil upheaval in individual nations. For the first half of 2008 there were sharp increases in inflation which argued for a tightening of monetary policy. However in more recent times the commodity bubble has burst and food inflation has eased, OECD countries have embarked on a process of significantly loosening policy.

The following chart shows the inflation rates in East Africa (including Rwanda) and shows real convergence:



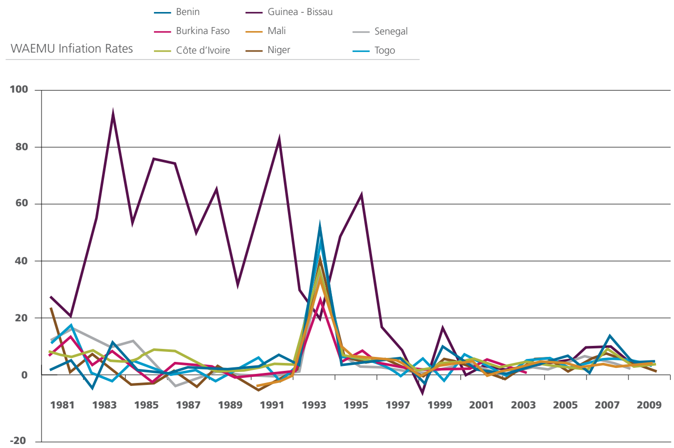
Source: International Monetary Fund, World Economic Outlook Database, October 2008

A similar pattern emerges if we look at the West African currency block



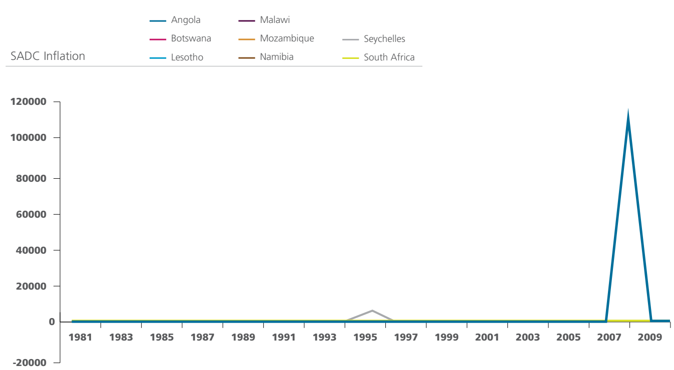
Source: International Monetary Fund, World Economic Outlook Database, October 2008

Or the WAEMU countries:

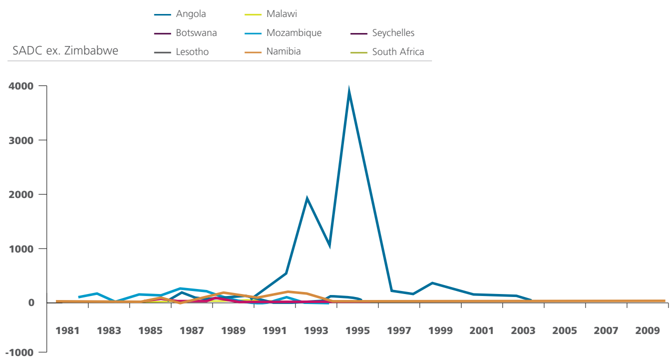


To then turn to Southern Africa we are confronted by two issues, first the economic dominance of South Africa and secondly, the problems in Zimbabwe.

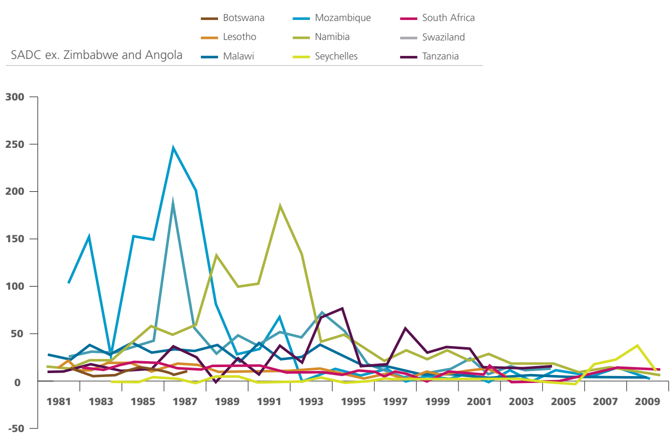
As with the others there has been a convergence of inflation rates. This shown in three charts the first shows all the countries of the SADC and then Zimbabwe and Angola are removed to demonstrate the effects of convergence



Source: International Monetary Fund, World Economic Outlook Database, October 2008



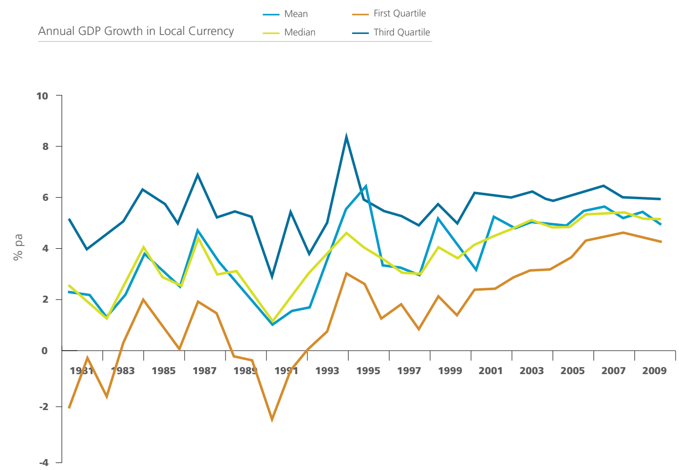
Source: International Monetary Fund, World Economic Outlook Database, October 2008



Source: International Monetary Fund, World Economic Outlook Database, October 2008

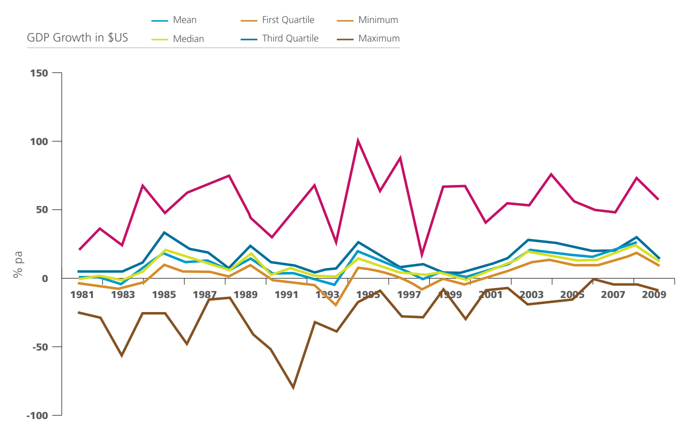
What these charts are showing is that not only are inflation rates converging, which is one signal that currency union could occur but it also shows that political and civil uncertainty and unrest causes major inflationary and therefore currency problems.

Turning to GDP there is also some evidence of conversion. The first chart shows GDP growth in local currency and there appears to be a narrowing range



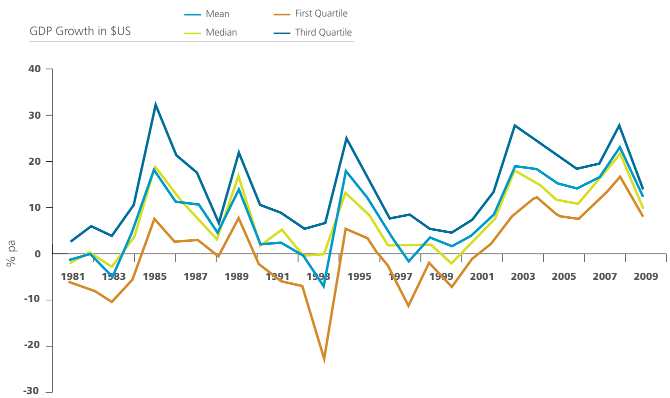
Source: International Monetary Fund, World Economic Outlook Database, October 2008

The next chart shows annual change in GDP based in $US:



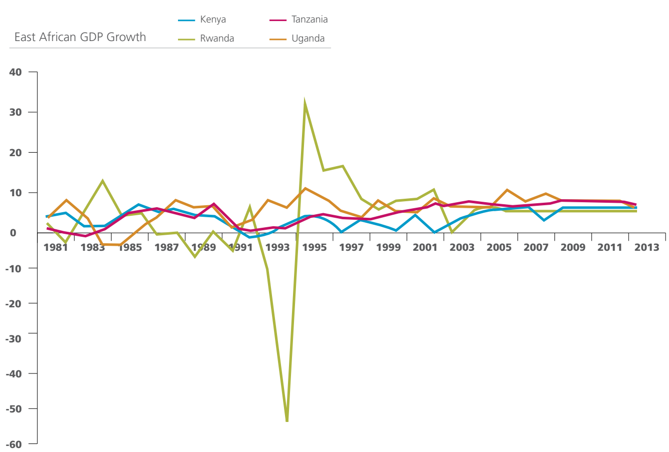
Source: International Monetary Fund, World Economic Outlook Database, October 2008

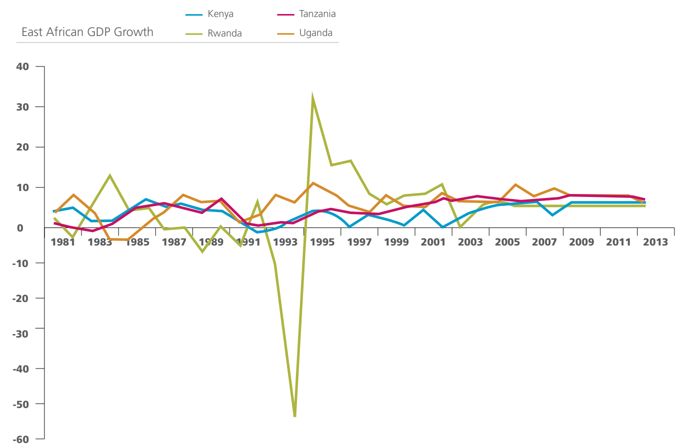
This also shows a high level of convergence, even the gap between the minimum and maximum has narrowed. (It is noted that there is no data for Zimbabwe for the last two years of the series). The picture is clearer when we remove the maximum and minimum lines:

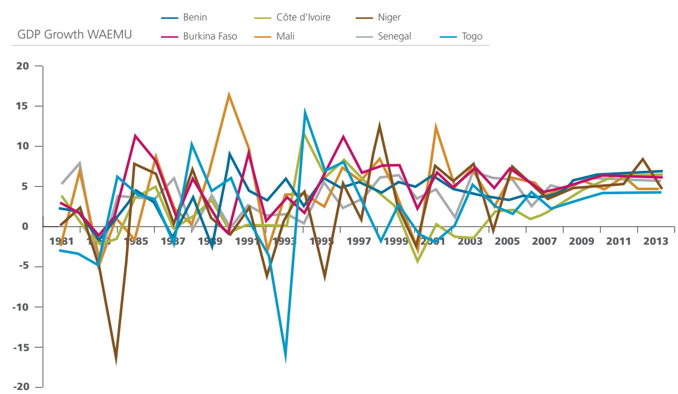


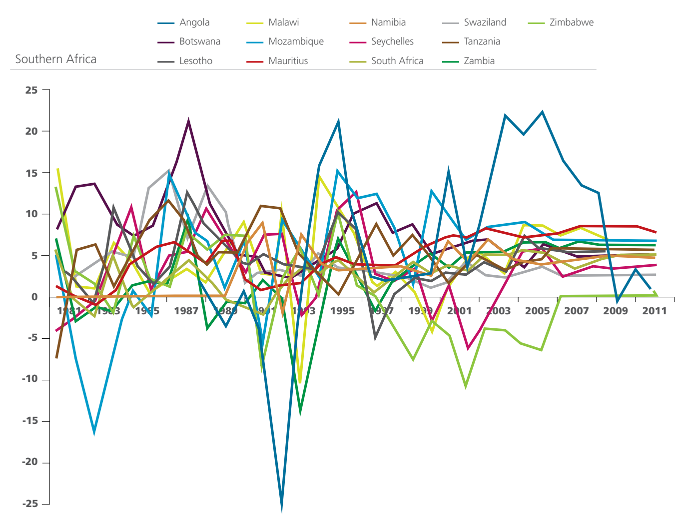
The chart also shows the decline in expected outcomes for 2009.

Turning to a selection of regional groupings:









As can be seen from the above, there is far less convergence in the Southern African group although it is evident in the East and West African groups.

It is also interesting to note that interest rates within existing currency unions are not only consistent, (by definition) but also lower than those of other African Countries[7]. For example rates within the WAEMU have risen from 4% in 2004 to 4.75% today, within the CEMAC rates have gone from 6% to 5.25%. Interest rates in other African countries vary widely as can be seen from the following table:

	2004	2005	2006	2007	2008
CEMAC	6.00	5.50	5.25	5.25	5.25
WAEMU	4.00	4.00	4.25	4.25	4.75
Algeria	4.00	4.00	4.00	4.00	4.00
Angola	95.00	95.00	14.00	19.57	19.57
Botswana	14.25	14.50	15.00	14.50	15.50
Burundi	14.50	14.50	11.07	10.12	10.12
Cape Verde	8.50	8.50	8.50	6.00	6.00
Comoros	3.55	3.59	4.34	5.50	5.80
Gambia, The	28.00	14.00	9.00	10.00	10.00
Ghana	18.50	15.50	12.50	13.50	
Guinea	16.25	22.50			
Lesotho	13.00	13.00	10.76	12.82	13.90
Malawi	25.00	25.00	20.00	15.00	15.00
Morocco	3.25	3.25	3.25	3.25	3.25
Mozambique	9.95	9.95	9.95	9.95	9.95
Namibia	7.50	7.00	9.00	10.50	10.50
Nigeria	15.00	13.00	10.00	9.50	10.25
Rwanda	14.50	12.50	12.50	12.50	
Sao Tome & Principe	14.50	18.20	28.00	28.00	28.00
Seychelles	3.51	3.87	4.44	5.13	5.38
South Africa	7.50	7.00	9.00	11.00	12.00
Swaziland	7.50	7.00	9.00	11.00	11.50
Tanzania	14.42	19.33	20.07	16.40	14.46
Uganda	16.15	14.36	16.30	14.68	14.46
Zambia	16.68	14.81	8.79	11.73	12.28
Zimbabwe	110.00	540.00	500.00	975.00	

Source: International Monetary Fund: International Financial Statistics

One of the questions asked in this congress is; should African economies necessarily converge before the adoption of a single African currency? The answer to this question is probably No, but there does need to be a commonality of interest but a single currency cannot work where there is a wide divergence between interest rates, inflation rates between countries, further national fiscal policy must also be somewhat aligned. As can be seen above there has been convergence within the various regional economic communities.

It is noted that the US has widely divergent economies but a single currency and monetary policy. In the European Union there are some difficulties in absorbing the more rapidly growing economies of Eastern Europe into the Euro-zone.

STABLE LEGAL SYSTEM AND "THE RULE OF LAW"

Leaving aside the convergence of the economies one of the greatest hindrances to sustained economic prosperity in Africa, has been decades of poor governance and civil unrest, wars etc. To proceed, there needs to be a political and societal consensus to resolve. This cannot happen overnight, but must happen if Africa is going to succeed in its development goals. There also needs to be a much higher level of transparency.

In terms of economic policy there are strong arguments for a series of co-related supra-national regulatory bodies, along the lines of the European Central Bank. This will require national governments surrendering some of their sovereignty on matters of both monetary and fiscal policy. It will also require those states entering into the system to have similar macro-economic conditions. For this reason, it would appear that the commencement in a process towards monetary union should be through existing natural groupings.

For foreign investors, any move towards independent regulatory bodies will be welcomed and the experience of the West African block can be seen as providing greater economic stability. At this point the discussion must become political. That is there the political will to give some sovereignty in favour of a regional good.

Much has been made in recent years of the term "the rule of law" This is a simple concept but little understood, and importantly within any legal/political jurisdiction there must be a basic agreement as to what the law is. This is particularly important in areas such as financial and property law.

Because of the uncertainty within Africa, combined with well known and documented crises the risk premium demanded is quite high. In his address to the Centre for Public Law[47] Lord Bingham identified[8] basic rules that should apply:

1. The law must be accessible, intelligible, clear and predictable. This is a clear prerequisite in economic affairs where investors, traders and other parties demand certainty and consistency of interpretation.
2. Questions of legal right and liability should, ordinarily be resolved by the application of law and not by the exercise of discretion.
3. The laws of the land should apply equally to all save to the extent that objective differences justify differentiation
4. The law must afford adequate protection of fundamental legal rights
5. Means must be provided for resolving, without prohibitive cost or inordinate delay, bona fide civil disputes which the parties are unable to resolve
6. Ministers and public officers at all levels must exercise the powers conferred on them reasonably, in good faith for the purpose for which those powers were conferred and without exceeding the limits of those powers
7. The adjudicative procedures provided by the State should (MUST) be fair
8. The existing principle of the rule of law requires compliance by the state with its obligations in international law which whether derived from treaty, or international custom and practice govern the conduct of nations.

Whilst these principles may be said to apply across all aspects of life they are very relevant in the conduct of economic life, and certainly non compliance to these principles is a major impediment to inwards investment to Africa and the development of adequate capital markets. The above principles identified by Bingham apply equally to countries with a common law system and those with a codified system.

No discussion on these matters should ignore the negative effects of corruption which is well known and written about, and cited as a good reason to avoid investment in Africa, and indeed corruption has proved to be an impediment to debt relief from the OECD. It is also a contributor to continued poverty on the African continent. Corruption is not a uniquely African problem but must be dealt with.

Corruption may be defined as the following:

1. [9]Corruption involves behaviour on the part of persons in which they improperly enrich themselves or those close to them by misusing power with which they have been entrusted. In short it is the misuse of public power for personal gain.
2. [10]An act done with intent to give some advantage inconsistent with official duty and the rights of others. It includes bribery, but is more comprehensive and includes the use of power to grant or deny an advantage not offered to another.
3. [11]To spoil or destroy by putrid decomposition, turn from a sound to an unsound condition, to infect, taint, render morbid, to adulterate, to debase, to defile, to putrefy, rot, decay, to destroy or pervert the integrity or fidelity of (a person) in his discharge of a duty, to induce, to act dishonestly or

unfaithfully, to bribe, to pervert the text or sense of (a law) by altering it for evil ends.

This latter definition from the OED is a comprehensive summary of actions that lead to unfair behaviour aimed at self and not the good of society.

It was estimated in 2002 by the African Union, and reported on the BBC[12], that corruption in Africa costs $US 150 billion per year. The report goes on to state that corruption hits the poor hardest, it is illegal in all parts of Africa but appears to be woven deeply into the fabric of everyday life.

Corruption can range from the petty, a policeman on the side of the road asking for tea money through to the payment of bribes to secure major contracts or presidents and ex presidents living well beyond their means. Corruption is one of the most often stated reasons for not conducting business in Africa.

It must be tackled at all levels. We must also look at who pays bribes, the payer whether a corporation or a government official is doing for favourable treatment. It is well known that police forces tackling illegal drugs concentrate on the dealers as the users are as much victims as criminals. Thus some of the major dealers in this case come from the rich West and are seeking to short circuit procedures and gain an advantage. The G8 were in fact amongst the slowest to sign the 2003 United Nations Convention Against Corruption (perhaps they had more to lose?)

None of this is to say that African leaders are blameless; they too must share its load of responsibility, but is a global phenomenon. Progress on economic growth must also move forward at the same time as tackling this problem.

In dealing with financial management, it must also be kept in mind that perception can be as important as fact, particularly in determining things like the risk premium that should be applied.

It is essential in the building of new African institutions to ensure their independence and a culture of transparency and the ability to review their operations by an independent body, possibly along the lines of an Independent Commission Against Corruption (ICAC). It is the creation of these bodies and their governance structures that will determine their success and the degree to which national politicians are prepared to cede independence and guard against any act, or non-act by members or officials that would go against the eight principles set out above. For a congress such as this one we need to ask if this as or even more important than currency union.

Is it also time to question the relevance of the nation state in twenty-first century? National boundaries were the construct of European colonisers and in some cases ignored ethnic and cultural groupings and forced different ethnic groups into nations that do not make sense. In considering the rule of law these issues should not be ignored.

In looking at currency unions, it may be possible to allow greater sub-national autonomy along with open borders and the free movement of people and capital across borders, a sort of European Union model where the individual nations continue to operate as such but the EU has the ability to manage economic affairs and to a lesser extent foreign affairs.

One of the economic challenges of the current century is likely to be around the distribution of resources. Water and food may become as much if not a bigger challenge than oil and energy. Africa is rich in these but needs to act now to ensure proper pricing.

A political solution is required to enable Africa to become the economic powerhouse that it deserves. This will require cooperation at a supra-national level not coercion. Is regional monetary union a useful first step?

The problems of Africa are solvable but require a political will as well as good economic policies.

The political issues will be even more extreme if linked countries are at different levels of economic development and have different objectives. This has proved to be a problem within the EU particularly as it absorbs some of the countries from Eastern Europe. It is noted that in order to join the Euro Zone, countries are required to have inflation and budget deficits at sustainably low levels (“low” is an average based on other countries' performance). In past years, eastern European countries have failed to qualify as high growth rates led to higher rates of inflation. Rising tax revenues once shrank budget deficits but now the tax take is falling. This could well be a problem for some of the African countries.

AN END TO MENDICANCY

Through the 1960's and 70's foreign aid was seen as the panacea to African development, however the results have been, at best, patchy and it is clear that some aid has been misused and misplaced. Whilst the need for social and economic infrastructure is unarguable it is probably time to revisit its delivery, and African politicians need to be more deliberative in determining the needs and the financing options. For example the financing of economic infrastructure (roads, ports etc.) could make better use of both internal and external financial markets, combined with a proper pricing policy.

This over dependence on aid must also be combined with a concerted effort and pan-African or regional insistence on the payment of proper prices for Africa resources. This is along the lines of OPEC which was successful in forcing the rest of the world to pay higher oil prices; this was disruptive in the short term but eventually ensured that oil producing countries were no longer being exploited. This needs to happen in Africa with the sale of its resources. There needs to be a process of fair (unfair) trade with the wealthier nations. This should apply to both mineral resources and agricultural resources. As a simple example, tea and coffee farmers in East Africa barely survive on the prices they receive for their crops. These farmers need to organise and refuse to supply below a certain price. A process that can only work if they cooperate, and organise.

The same should apply at a national level, and again points to the need for supra-national bodies.

Africa for too long has acted in a mendicant way and needs to put its own politicians and institutions in the driving seat. Aid will be required but must be useful and on African terms.

CONTRIBUTORY CROSS BORDER MONETARY AND FISCAL POLICY

As alluded to earlier, one of the prerequisites for a currency union is monetary and fiscal policy that is consistent between member states. At the same time adjustment may be required where there are large differences or where economies are at different levels. However it would make sense to operate free trade areas. In this paper I have not reviewed cross border trade as it is felt that other papers will adequately cover this topic.

THE ROLE OF CENTRAL BANKS

I have referred in this paper the need for one or more supra-national bodies. It is my suggestion that, in the first instance there should be regional monetary bodies based on existing RECs, but with a mechanism for continental dialogue.

Each of the regional bodies would have responsibility for interest rate and exchange rate policies, (possibly with some level of flexibility within bands for individual currencies) with the goal of creating a single REC currency. National governments would have responsibility for overall fiscal policy but within the constraints of agreed overall borrowing limits, consistent with interest rate policies and a currency peg.

The REC central bank board would be drawn from the nations involved with representation from the existing central banks, finance ministries and, hopefully business and commerce.

As with all quasi-autonomous bodies (government bodies with limited political control) there must be proper controls and balances built into the system with suitable audit and accountability mechanisms.

The goals of the Bank must be clear and measurable, but with some flexibility. Central banks around the world have various charters but centred on the need to contain inflation and promote financial stability. Thus for, example the Bank of England has a charter to ensure monetary stability and to contribute to financial stability.

Monetary stability means stable prices and confidence in the currency. Stable prices are defined by the Government's inflation target, which the Bank seeks to meet through the decisions on interest rates taken by the Monetary Policy Committee, explaining those decisions transparently and implementing them effectively in the money markets.

Financial stability entails detecting and reducing threats to the financial system as a whole. Such threats are detected through the Bank's surveillance and market intelligence functions. They are reduced by strengthening infrastructure, and by financial and other operations.

Other central banks have similar charters. In the United States the Federal Reserve Board has as its primary responsibility the formulation of monetary policy. In addition to monetary policy responsibilities, the Federal Reserve Board has regulatory and supervisory responsibilities over banks that are members of the System, bank holding companies, and international banking facilities in the United States, Edge Act and agreement corporations, foreign activities of member banks, and the U.S. activities of foreign-owned banks. The Federal Reserve must also work within the framework of the overall objectives of economic and financial policy established by the government. The Federal Reserve Board draws its members for 12 Federal Reserve Districts.

The ECB's has a governing council, of 21 that decides interest rates, and early concerns that it would be fragmented and swayed by parochial concerns have so far proved groundless. The 15 national central-bank governors travel to Frankfurt twice a month to rubber-stamp decisions taken by the executive board, permanently based at the ECB's headquarters. Most of its members are career central bankers or civil servants.

Thus there are working examples of supra-national central banks drawn from individual central banks. This could be a model for Africa

In the current market central banks in Africa have a major problem in controlling inflation which over the past 18 months has a disproportional affect on their economies particularly as food is a more significant proportion of GDP than in the OECD world. Some policymakers in emerging economies argue that serious monetary tightening is not warranted: higher inflation, they say, is due almost entirely to rises in food and energy prices, caused by temporary supply shocks and speculation. Higher interest rates they argue cannot call forth more pigs or grain. Inflation is set to ease later this year as higher prices prompt an increase in supply (food prices have started to ease) and as sharp rises in commodity prices drop out of year-on-year comparisons, this latter has certainly occurred as the commodity price bubble has burst.

Nevertheless loose monetary policy can be inflationary. This problem has become even starker as monetary authorities around the globe are now reducing rates so as to reflate economies. This process is likely to be quite disturbing for emerging economies and will require concerted action fairly independent of political control. In the past African Central Banks have not had the same degree of independence as is now the norm in OECD countries.

Over time the faster growing economies of the developing world should expect to see gradual revaluation of their countries.

Coordinated monetary policy on a regional basis is more important now than ever.

A useful first step in this would be to agree on a common reporting mechanism on the major economic and monetary indicators, so that individual governments may see and explain their differential performance and the impact of their policies. A common starting point means that movements, rather than absolutes can be monitored and reported upon. With a central monetary authority as monitor, arguments regarding the relevance of the statistics and cross border differences may be eliminated.

The political issue will remain; to what extent are national politicians prepared to cede power to independent bureaucrats/technocrats. However, in the step mentioned above there is no ceding of sovereignty, only an agreement to have a common monitoring agency as a check and reporter on monetary and fiscal policy. Nevertheless such an authority must be manned by credible technocrats, with board representation from the national governments and other credible representatives. The body must, from the beginning be respected and will have a certain amount of moral authority and needs to be influential, and respected by governments, finance ministries and central bankers. Whilst the stakeholders will want some means of selecting the board; independence is absolutely essential.

ENCOURAGEMENT OF ENTREPRENEURIAL CULTURE

At an individual level as well as a national level an entrepreneurial culture needs to be further encouraged to enable individuals to participate in their own betterment. This can range from most poverty stricken regions where micro-credit schemes have proved to be quite beneficial. The writer has personal experience of such a scheme in South West Uganda, and there are many other successful projects in Africa and beyond.

There is also a need to encourage larger scale business development particularly in manufacturing. There are too many examples of development being hampered by the availability of cheap imports. For example the textile industry in Uganda has been hurt by imports of second hand clothes, making it hard for the local industry to compete. There is scope for a higher level of internal processing.

This could be a role for trade blocks where countries and enterprises are encouraged to exploit their comparative advantages and bolster intra-regional trade.

This is not an argument for high levels of protection but is an argument for some relaxing of global trade rules for developing Africa.

For this to occur, currency stability is most helpful, if not essential.

CONCLUSION

Whilst there is an economic argument that says Africa should embark on a long run aim towards a single African currency it is felt that that time is likely to be a long way off and there are many hurdles to clear. But a central monetary agency, with a charter to monitor and advise may be a good first step.

There is evidence that some regional groupings have economies that are converging. The West African monetary union is a case in point, and this could be followed by the East African community.

There is also a case for currencies to be pegged to outside hard currencies; this has in the main been done in Asia which has successfully brought about economic revival in the post independence world. Although this too can have negative impacts as we saw during the 1998 Asian crisis. Nevertheless it imposes a fiscal and monetary discipline on the central banks and treasuries.

I think we can conclude that a supra-national monetary authority does make sense provided that it can be granted a high level of independence from political interference, and can be subject to proper oversight perhaps by an organ of the African Union. In its early phase this may be no more than a body that oversights the financial system and guides national governments in the conduct of monetary policy. At the same time this body can supervise cross border trade, and watch against *beggar-thy-neighbour* policies.

It is not clear whether there should be one such body or whether there should be separate quasi central banks for each of the economic blocks.

Care must also be taken to ensure that the economically poorer nations are not disadvantaged. The example of Europe has shown that whilst the Euro has been largely successful it is difficult for countries at a different level in their business cycle, and especially difficult for those countries mainly in the former Eastern Bloc whose economic growth has been much faster than those in the West as they develop. In Africa it is more than likely that there will continue to multi speed economic groupings.

The major impediment is likely to be political, rather than economic as granting any powers to an external body necessarily means a reduction in National sovereignty; this is likely to be stumbling block but may be beneficial in the long run if there is sufficient commonality of interest. In moving in this direction there are significant cultural/political and even religious differences. As a clear example the countries of North Africa are vastly different to those of the sub-Sahara. These must not be ignored but need not stop the progress.

Monetary Union will be difficult to achieve if the countries in the proposed union have different levels of and expectations of fiscal and monetary discipline. Countries with a history of strong discipline and fiscal rectitude will be reluctant to join with those without such discipline.

Moves in this direction may in the very long term even challenge the relevance of the nation state as we know it. The importance for Africa is that decisions are made in Africa by Africans and not imposed by outside bodies such as the IMF or the World Bank useful as these institutions are.

THE GLOBAL FINANCIAL CRISIS

The current financial system arose from the embers of The Great Depression and the post war re-building. The fact of the matter is that the financial system is indeed damaged and reform is required. The current dangers should not be underestimated and the risk remains (probably still less than 50%) that a much more severe recession could eventuate. It is difficult to see how equity markets and, indeed, other asset markets can properly recover until the banking system is fixed. Whilst it is conventional wisdom that this crisis started with sub-prime/securitisation crises I feel that these are symptoms of an underlying structural economic problem

A recent leader article from the *Economist* postulates that the real underlying problem to the financial system has been the growing imbalances between the various world economies. In particular, the USA and other OECD economies have been debtors for many years and the developing nations have been creditors and put simply, the west has been *living beyond its means* and this balance needs to be redressed. This has been supported by the saving nations mainly from Asia; the largest foreign holders of US assets are the Japanese, Chinese, and other Asian nations.

Whilst many have been predicting a substantial collapse in the US and in the $US, this may not happen as there is still an appetite for US assets and with cautious management the necessary re-structure should be able to be managed.

Arising out of the current crisis it is my view that we are likely to see either a high rate of inflation or significant declines in the value of the $US, as a mechanism to start to address the current imbalances. This view appears to be gaining wider acceptance within the financial community.

A recent piece of CitiBank research[13] discussed in some detail the current credit markets. The research is not totally negative and makes the point that until credit markets recover there can be no real recovery in the world economy and by extrapolation; this should also apply to equity markets. Remember also that the problem started with the credit markets.

My experience in reviewing a number of companies indicates that credit is a real problem, as cash is not available for working capital or even in some cases trade credit is quite restricted. This makes this crisis quite different from say the 1987 crash but is not dissimilar to the Asian financial crisis of the late 1990's. Conditions are also similar to the pre-depression years but I still think we will avoid such a depression.

The research piece points out that there are differences in regulations in different jurisdictions and these have led to different behaviours by different banks. In the United States banks, because of restrictions in the amount they can hold on balance sheets tended to move towards structured credit as they securitised their loans so as to be able to expand lending. These securitised securities were then on-sold to other institutions, largely foreign banks that have the ability to gear their balance sheets. The majority of loans may not have been bad in their own right, hence the good credit ratings, but the problem was the sheer weight of debt.

The problems then became in unwinding or *de-levering* the positions. This is what has led to the inability of banks around the world to lend in the current market and also increases the incidence and future likelihood of default. There is also a problem of undrawn credit facilities, which dampens new lending.

Authorities in the USA and UK have also differed in their response from those in continental Europe. The US and UK authorities are intent on avoiding a 1930's style of a deflationary cycle and are seeking to reflate their economies and freeing up the banks to resume lending, even to the extent of nationalising banks and taking over some of their debt facilities. The risk of this action is to build up a position of excess inflation and a return to the boom bust cycle of the 1970's. The European Central Bank by contrast is seeking to avoid the possibility of super inflation and run the risk of allowing a deflationary spiral. Central Banks in the USA, UK and Japan have moved towards a zero interest rate policy, The ECB has been that much slower. Central Banks in some of the so called developing countries have also reduced rates.

My sense is that the end part of this crisis is likely to be inflationary, or a significant devaluation in the $US. Central banks believe they can manage such an outcome.

From an African point of view, it is likely that the affect will be quite bad, as funds will not be available for either aid or inwards investment. It is noted that OECD countries are spending far more bailing out their banks than on foreign aid, and the Millennium Goals are again likely to be ignored. Further as much of Africa's exports are commodity based and Africa is a price taker the collapse in commodity prices is not good. This second round impact makes it even more imperative for the Countries of Africa to move towards improved capital markets and institutional structures, or better still regional or continental institutions. Fortunately African banks are probably in a better position than their larger international counterparts.

Africa through the AU needs to press for a better global system of financial regulation to replace the outdated Breton Woods arrangements.

RECOMMENDATIONS

It is recommended that the First Congress of African Economists recommends to the African Union that:

1. The various African nations state, that as a long term goal they should move towards a single currency
2. As a first step, an independent monetary authority, or authorities (based on regional groupings) be created with an initial task to develop standards for, and then monitor the key economic statistics to ensure a consistency in measurement and the integrity of the data base.
3. The above authority/(ies) should be managed by technocrats and governed by a board representing, in some way, the major stakeholders, but should have a charter that guarantees its independence so that advice may be given without fear or favour.
4. The above body should be seen as the kernel of the eventual development of a European style supra-national central bank along the lines of the ECB.
5. The body should come under the auspices of the African Union but should not be responsible to it in a policy sense.
6. African Finance ministries, central banks and RECs should examine ways of mobilising capital markets, both internal and external to improve economic infrastructure so as to encourage intra-continental trade as a means of moving towards greater African integration.

End Note

1 Speech to the South African Parliament "...The wind of change is blowing this continent and whether we like it or not, this growth of national consciousness is a political fact. We must all accept it as a fact and our national policies must take account of it..."
2 Archbishop Desmond Tutu in an interview made the comment that the ANC halted the train long enough only to get on themselves. He was referring to a prior quotation.
3 "The Rule of Law". The principal that no one is above the law, see also the lecture given by The Right Hon Lord Bingham of Cornhill to the Centre for Public Law (Cambridge) in honour of Sir David Williams on the 16th of November 2006.
4 Regional Economic Outlook Reports IMF October 2008
5 The role of Central Banks Macro-economic Stability, Growth and poverty: Have we won the Battle but not the War? Andrew Mullei the then Governor of the Central Bank of Kenya
6 The Daily Nation Newspaper, Kenya Wednesday, November 3, 1999
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GUIDELINES FOR THE SINGLE AFRICAN CURRENCY:
What not to do

By Francois Ndengwe, African Advisory Board

Contents

EXECUTIVE SUMMARY AND RECOMMENDATIONS

This essay's purpose is to propose some helpful guidelines for the creation of the single African currency (SAC) and the modalities for this currency's lasting solidity. A currency's solidity is viewed as its aptitude to perform three functions: favoring productivity and production; increasing citizens' real income; contributing to the nation's monetary, trade and military invincibility. Nation here means the people under this currency's jurisdiction. A currency executes the first two functions at the domestic level, and the third at the interface with the rest of the world. For these three functions to be carried out successfully, three conditions must be met: a minimum degree of social cohesion, a maximum economic policy's integration, and full sovereignty.

The core of this essay is about the CFA franc and the franc zone, which typify what a SAC must not be. The essay concludes with a set of guidelines for a successful SAC. But to start, it argues that Africa urgently needs a SAC today because we live in the era of aggressive giants, with equal emphasis on each of these two words. These are political, military, economic and trade giants.

The CFA franc and the franc zone are monetary Nazism. After she had defeated France in May 1940 battle, Germany occupied France. The occupation was not only military. It was also monetary. Germans implemented a monetary policy that systematically ruined France and systematically enriched Germany.

France was liberated in 1945 in great part thanks to Africans' contribution as soldiers, and with their money. Yet immediately after this liberation, France turned the rifle against Africa and at her turn, she implemented against Africans exactly the same monetary Nazism out of which she had just emerged. This new French monetary Nazism took the form of a new currency hastily and secretly created on Christmas day of 1945: the CFA franc, CFA standing for "Colonies Françaises d'Afrique" (French Africa Colonies). France imposed this new currency to her African colonies grouped in a monetary union called the franc zone.

Surprisingly, after their independence in the 1960s, the former French Africa colonies maintained the CFA franc despite its nazi features. Furthermore, the CFA franc and the franc zone were reinforced by a series of monetary agreements France signed with the newly independent countries grouped in three different central banks: BCEAO, BEAC and BCC respectively for Western Africa, Central Africa and the Republic of Comoros. And the Nazism in the new monetary union the French were implementing in Africa was even more accentuated by a series of innovation, of which a trick called "compte d'opérations".

The single African currency must avoid the CFA franc's flaws and the inequity if it wants to succeed.

INTRODUCTION

This essay has one single goal: to propose some helpful guidelines for the creation of the single African currency (SAC) and the modalities for this currency's lasting solidity In our view, a currency's solidity is measured by its aptitude to perform three functions: favoring productivity and production; increasing citizens' real income; contributing to the nation's monetary, trade and military invincibility. Nation here means the people under this currency's jurisdiction. A currency executes the first two functions at the domestic level, and the third at the interface between with the rest of the world. For these three functions to be carried out successfully, three conditions must be met: a minimum degree of social cohesion, a maximum economic policy's integration, and full sovereignty.

Any single currency not built on these three foundations will certainly fall. That's what we'll see in examining the CFA Franc currency and the franc zone on which this essay will say more. The core of this essay is about the CFA franc and the franc zone, which negatively typify what a SAC currency must not be. The essay will conclude with a set of guidelines for a successful SAC. But to start, it may be instructive to examine why Africa needs a SAC today, more than ever.

WHY DOES AFRICA NEED A SINGLE CURRENCY?

Today, more than at anytime in the past, Africa needs a single currency. The main reason behind this necessity is that the present era is that of aggressive giants, with equal emphasis on those two words, "aggressive", "giants". These giants are enormous political countries or groupings of countries: the USA, Russian Federation, China, India, European Union, are some examples. There are also powerful military giants, of which NATO (North Atlantic Treaty Organization) is a case. And there are again impressive economic and trade giants, China, Japan, and Germany being here the most striking models.

No matter the sphere considered, politics, military affairs, economy or trade, the competition is so intense globally that sometimes it's literally a war. There's no sign that in a foreseeable future, this war will end. Africa is a loser in all those four spheres and she is losing more ground every day, because of her disunity.

If one limits oneself to the economic sphere as it's done in the present essay, the magnitude of Africa's defeat is huge and will only widen if Africans are unable to accelerate the pace to their unity, and particularly the monetary unity. Here is the table of the annual growth rate in Africa from 1980 to 2006:

Table 1: Average annual growth rates of real GDP (in %)

ECONOMY	1980-1990	1990-2000	1990-1995	1995-2000	2000-2005	2005-2006
Developing economies: Africa	2.6	2.4	0.8	3.3	4.7	5.5
Northern Africa excluding Sudan	2.6	2.8	1.9	3.5	4.9	5.2
Sub-Saharan Africa [1]	2.5	2.2	0.2	3.2	4.5	5.7
African economic groupings						
CEPGL (3)	1.8	-3.5	-8.1	-0.3	4.3	4.8
COMESA (19)	4.0	3.1	2.0	3.7	4.4	7.8
ECCAS (11)	2.7	1.0	-3.0	3.4	6.0	6.4
ECOWAS (15)	3.6	2.0	-1.6	3.7	5.1	4.6
MRU (3)	1.3	2.6	0.2	4.4	3.7	4.1
SADC (14)	1.9	2.1	0.4	2.7	3.9	5.6
CEMAC (6)	2.9	2.6	0.4	3.6	5.3	3.0
UEMOA (8)	2.8	3.7	1.7	4.5	3.3	3.2
UMA (5)	1.6	2.2	1.1	3.0	5.1	4.6

Source: UNCTAD secretariat computations based on UNDESA, Statistics Division[1] including Sudan

The entire Africa's growth rates, from 2.6% in 1980-1990 to 2005-2006, averages to a mere 3.2% per year during the more than half a century covered. This is extremely low. At this speed, it will take an eternity for Africa to catch up with the rest of the world. More probably, it will never catch up. Here is another table that gives an idea of this eternity's length:

Table 2: Catch up race

	Nigeria	Angola	Gabon	Congo-Braz	Chad	Canada	Norway	Switzerland
Pop (2004-Mh)	128,7	15,5	1,0	4,0	9,4	32,0	5,0	7,4
GNP 2004 (milliards $)	55,3	14,4	5,6	2,9	2,3	905,0	237,8	366,5
Rank GNP 2004	54,0	85,0	119,0	145,0	152,0	9,0	24,0	17,0
GNP Per capita 2004 ($)	**430,0**	**930,0**	**4080,0**	**760,0**	**250,0**	**28310,0**	**51810,0**	**49600,0**
Rank GNP Per Capita 2004	175,0	148,0	85,0	152,0	193,0	21,0	1,0	2,0
Growth rate GDP 2003-04	6,0	11,1	1,4	3,6	29,8	2,9	2,9	2,1
Hyp Growth rate (%)	5,0	5,0	5,0	5,0	5,0			
q, raison Poursuiveurs	1,1	1,1	1,1	1,1	1,1			
nbAnn Ratr Norv	*99,2*	*43,2*	*27,7*	*45,3*	*57,0*			
NbAnn Ratr Swiss	*98,3*	*42,7*	*27,2*	*44,8*	*56,5*			
nbAnn Ratr Canada	*86,8*	*36,8*	*21,3*	*39,0*	*50,6*			
TxCr lièvre	2,0	2,0	2,0	2,0	2,0			
k	1,0	1,0	1,0	1,0	1,0			
q/k	1,0	1,1	1,1	1,1	1,1			
V1/U1, Norvège	*120,5*	*55,7*	*12,7*	*68,2*	*207,2*			
nbAnn Ratr Norv	**166,3**	**54,2**	**34,7**	**56,9**	**71,6**			
V1/U1, Suisse	*115,3*	*53,3*	*12,2*	*65,3*	*198,4*			
NbAnn Ratr Switzerland	**164,8**	**53,7**	**34,1**	**56,3**	**71,1**			
V1/U1, Canada	*65,8*	*30,4*	*6,9*	*37,3*	*113,2*			
nbAnn Ratr Canada	**145,4**	**46,2**	**26,7**	**48,9**	**63,6**			

Source: World Development Indicators 2006, World Bank

This table compares how long it would take five oil rich African countries, Nigeria, Angola, Gabon, Congo-Brazzaville and Chad, to catch up three industrialized countries, Canada, Norway and Switzerland. The growth hypothesis is 5% per year (9th line of the table) and 3.2% per year (14th line of the table) for the industrialized countries. This hypothesis is biased in favor of Africa: it's optimistic for the African countries, 5% per year being quite above the average of 3.2% that we've seen for Africa, and pessimistic for the industrialized countries.

Even with such a biased hypothesis, the results informs on the very long span of time Africa's economy will continue to lag behind that of the rest of the world if Africans do not radically stop the way they have been managing their economy and in particular their currencies. Il would take Nigeria 166.3 years (18th line of the table), 164.8 years (20th line) and 145.4 years (22nd line) respectively to catch up Norway, Switzerland and Canada. The corresponding figures can be read for Angola, Congo, Gabon, Chad. Do these later countries' citizens live or will live on the same planet with Norway's, Switzerland's or Canada's?

Of the five African countries mentioned here, three share the CFA franc as their common currency. They belong to the franc zone: a group of fifteen African countries, monetary tied to France's ministry of finance and to the European Central Bank. These countries are classified into two groupings and one single country, Comoros Republic. As they are called in their French acronyms, the two groupings are UEMOA and CEMAC, respectively the 12th and the 11th line of Table 1. As the table shows, UEMOA and CEMAC have the one of the lowest growth rates in Africa during the period Table 1 covers. This means that the 5% hypothesis may have been at it turn unfavorable to Nigeria and Angola, and favorable to the thee CFA franc countries concerned. Now is perhaps the time to know exactly what the CFA franc, the franc zone and the monetary policy that sustains it are. This knowledge will give a clear lesson on what the SAC must absolutely avoid, if it wants to succeed.

EMONAZ, EXTERNAL MONETARY NAZISM

The common vision of nazism is that of heartless German soldiers' herds pouncing on their victims, killing, shedding blood; destroying or stealing these victims' properties. It's true. But Nazism wasn't only that reality. Nazism or *Nationalsozalismus* in German, the ideology in power in Berlin under Adolf Hitler from 1933 to 1945 was also a subtle exploitative machinery. Too often, we ignore this other reality. And even specialized historians have overlooked or have failed to study the most efficient part of that criminal machinery: the *nazi monetary policy*. A reason explaining this failure is that nazi monetary policy was apparently bloodless. Clothed in formalistic legality, it operated not with rockets and thanks, but with pencils and paper:

In fact, the nazi monetary policy was a two-head monster. The internal head carried on the hitlerian monetary policy at home, in Germany. It was implemented mainly by a renowned central banker, Dr Hjalmar Horacio Schacht. The external one, **e**xternal **mo**netary **naz**ism (*emonaz*), cracked down on the lands German troops had conquered, biting, sucking and siphoning these lands' wealth towards Germany. Emonaz's boss was a Luftwaffe pilot and commander, and also a very close Hitler's confidant: Hermann Wilhelm Goering.

The present article deals with emonaz and the country that was the main emonaz's victim: France. Moreover, this article, the first work ever on this topic, exposes the transmutation whereby conquered and exploited France, as sooner as she was liberated from emonaz's claws, in great part thanks to Africans, immediately became the most horrible oppressor: the French government amplified and loaded emonaz, and with a cruelty even Germans never reached, applied it against these very Africans who had fought and for many, died to liberate France. Hence the term *lemonaz*, **l**aden **e**xternal **mo**netary **Naz**ism, which is the operative name of the monetary system that is the franc zone in Africa.

The franc zone is made up of France at the center, plus 15 satellites: 15 African countries[1], formerly under France's colonial aggression. These countries' currency is called *CFA[2] franc*. It was pegged to France's currency, the French franc, until this currency disappeared on 1st January 2002 and was replaced by the euro. Since that date, the CFA franc is pegged to the euro. More later on the nature of that peg and more generally on the singular functioning of the franc zone.

With lemonaz, France has surpassed Hitlerian Germany in malice: emonaz lasted less than five years in around five countries, and a world coalition combined forces to defeat it; lemonaz has been continuously in application for more than six decades in more than a dozen of African countries, impoverishing and killing tens of millions of Africans. Furthermore, lemonaz has never been denounced or even challenged. On the contrary, powerful international forces, for instance the World Bank and the International Monetary Fund and the European Central Bank have been supporting it.

GEOMILITARY BACKGROUND: FRANCE'S DEFEAT

On Thursday June 13, 1940, the Germans were already in Paris. They had just defeated France, in the most humiliating blitzkrieg in history: it lasted less than a week. It was just a question of days, if not of hours *"Within three days, the*

Germans had crossed the Meuse (a French river) *and cut to pieces the Ninth* (French) *Army under General Corap"*, observes the historian David Pryce-Jones[3]. *"Twenty-four more hours and the Second Army under General Huntziger was broken. The road to Paris lay open. Already by May 16, the French army, and therefore the government too, had lost control of the war. Bizarre countermeasures were offered: a government not notable for piety attended Mass at Notre-Dame* (Paris's cathedral), *and holy relics were paraded".*

The German army penetrated France without facing any resistance, like a knife in a French lard. France's army of *"three million men, reputed to be a fighting force without equal"*, surrendered almost without a shot. French strategists, in perhaps the most blemished defence reasoning of the 20th century, were convinced that Paris could be *"defended with* (no) *more than sandbags"* since France had built *"the fortifications of the Maginot Line stretching for several hundred impregnable kilometres from Switzerland up to Belgium".*

Yet once more, German soldiers succeeded. Like in 1871, like in 1914, they were taking Paris in this June 1940. *"(…) no violent encounters marked* (German soldier's entrance in Paris), *no sabotage, no violence or rapes."* Like a boneless prey, *"Paris, far and away the greatest of Hitler's prizes, smoothly but assuredly assumed its place in the Reich that was intended to last a thousand year."*

The rare Parisians who still had some feeling of pride couldn't stand the terrible tragedy under their eyes: history was repeating itself, their city was once more under the Germans' boots. In total despair, and despite the relics, the mass, and *"rather than submit so passively to national humiliation* (these rare Parisians) *preferred to commit suicide".*

German troops didn't care. They cast away the suicidal corpses. Swiftly and methodically, they occupied France's capital city. Following the orderly discipline of Germany's first generals who entered Paris, General Bogislav von Studnitz and General Kurt von Briesen for instance, German soldiers abruptly imposed their visibility and laws in Paris's streets. Besides, the new occupiers seized the most luxurious Parisian hotels, ousted the clientele and set their headquarters there.

Also but more discreetly, they went to *rue Croix des Petits Champs*, at the Banque de France, the French central Bank headquarters.

In may 1940, in an ultimate act of rescue, French rulers, sure of their country's defeat, had transferred Banque de France's gold and other financial treasuries to safer locations South of France and moreover in Africa, the continent that was by far the safest place for France's assets those days, particularly Dakar in Senegal. The gold the French were transferring included a large amount of Belgium gold. Belgium central bank had handed that gold to French, in order to put it out of Germany's reach, when Germany was about to conquer Belgium.

Once more, Germany did not care, did not worry. They had in mind a machinery to loot France that would perform very well without openly stealing French gold. Of course, this machinery was emonaz, the external monetary policy that nazi Germany systematically applied in the territories she conquered.

A CURIOUS SILENCE

French historians have written tons of books on nazi occupation of their country. Curiously, they are silent on the external monetary Nazism that literally devastated France. Why? Would writing on, or studying external monetary Nazism in France be for French historians an additional and insufferable humiliation? Has emonaz in France been so harsh that French subconscience rejects even the idea of mentioning it?

Whatever the answer, the fact is that, up to today, on the thousands of books continuously published in France since the end of World War II on nazi occupation, only three French books deals with emonaz. It's worth noting that each of these three books were written and published in the effervescence of the period immediately following

France's liberation in May 1945. *Le Franc enchaîné: Histoire de la Monnaie française pendant la Guerre et l'occupation* was published in 1945 by René Sédillot; *Face aux réalité: La direction des finances françaises sous l'occupation* was published in 1948 by Pierre Cathala and *Les Finances de la France et l'Occupation Allemande* (1940-1944) was published in 1951 by Pierre Arnoult.

Apart from these three books, published respectively 62, 59 and 56 years ago, no other book has been written in France on the external monetary policy that nazi Germany implemented in France. This policy is never debated in French media, never studied in French schools or universities. It's a national taboo. Why?

Two answers are possible. One, external monetary policy may be a too humiliating topic for French ego. Two, France's prolonged silence could be a French elite's deliberate act to keep the veil on the transmutation whereby France, from being a victim, became the oppressor who takes the emonaz relay baton from nazi Germany and strikes Africans with a cruelty, racism and greed that even emonaz chief nazi designer, Hermann Goering and his aides, General von Stülpnagel, General Mieth and the plenipotentiary minister Hemmen would have never reached.

Though it may not be absolutely certain, the second answer is the most plausible. A reason for this plausibility is that if humiliation were the correct answer, the French wouldn't have published the hundreds of books they have been publishing on Germany's subjugation of their country and the grisly humiliations Germans have inflicted them in their multiple duels throughout history. Furthermore, two interesting and very documented books, by two French authors, plead against the first answer, the humiliation hypothese: *Les relations économiques et financieres entre la France et l'Allemagne de 1898 à 1914*, a voluminous 920 pages book by Raymond Poidevin, and *Les relations économiques et financiers franco-allemandes: 1932 - 1939*, by Sylvain Chirmann.

Interesting to notice, these two books' publisher is the *Comité pour l'Histoire Economique et Financière de la France* (CHEFF). The CHEFF is France's national and official history think tank for economic history. Pierre Beregovoy created it in 1986. Pierre Beregovoy was French minister of finance (July 1984 to April 1992) and after that France's Prime minister (April 1992 to March 1993) when he committed a suicide on May 1st 1993, when his party lost legislative elections as a sanction for his strong franc policy, as many commentators wrote.

Placed under the supervision of France's minister of finances, the CHEFF bringS together the best French scholars and practitioners of French economic and financial history. The French central bank's governor is a CHEFF's *membre de droit*.

If it's logical to exclude the humiliating hypothesis, the only remaining answer to France's prolonged silence on emonaz is French rulers' willingness to keep the veil. Writing or talking about the monstruous monetary policy that Germany used to take over French wealth between mid 1940 and the first months of 1945, would unveil emonaz and also lemonaz, the even more monstruous monetary policy whereby France in her turn, has been enriching herself by plundering Africans' resources. Is it a surprise if the CHEFF's books abruptly stops their studying framework in 1939, avoiding specifically the critical emonaz time interval, 1940 – 1945?

The present article is a work that has never been done before. This work brings two unprecedented results: firstly, it unveils both emonaz and lemonaz; secondly, and more importantly, it exhibits the direct *filiation* between emonaz and lemonaz, between the nazi monetary policy Hitler imposed on France for four years, and the *enhanced* nazi monetary policy that France has been imposing – and continues to impose – for more than six decades on 15 African countries whose total population is 121 millions inhabitants leaving on 6,442 000 km2, more than two times France's population and 14 times France's area.

THE FIVE EMONAZ AND LEMONAZ COMMON FEATURES

What are the main features of emonaz, the external monetary Nazism that Hitler's Germany applied to France? Answering this question is necessary for whoever wants to understand the functioning of the bizarre monetary body that is the franc zone, and imperative for those who want to break CFA Africa's monetary servitude. More important in this article's perspective, our answer to that question will for the first time ever, cast the light on the filiation between emonaz and lemonaz (laden external monetary Nazism) that France has been practising in Africa since 1945, after Africans had contributed to liberate her from the nazi occupiers. One can cite five features.

ONE, ARBITRARY AND BIASED EXCHANGE RATE

The **first** is the *arbitrary and biased exchange rate* in favour of the occupying country. Writes René Sédillot, in the introduction of his book's chapter untitled *"Les chaînes allemandes"* (German chains):

> *"With centuries forms of pillaging have become sophisticated. Ancient German simply devastated the countries they had conquered. Their descendants, in 1940, used a more subtle and fruitful method of robbery: they set the mark at 20 francs".*

René Sédillot, a French author is complaining that Germany has arbitrary set the exchange rate at 1 mark for 20 francs? Perhaps one reminds him that Napoleon Bonaparte had quite arbitrary also, imposed a single and common currency in the countries he conquered: the *Napoleon*, a coin whose value was 20 francs. In 1806, he advised his brother, Louis who he had placed as king of Holland:

> *"My brother, I want you to adopt (for Holland) the same monetary values that are used in France. Holland's coins should be printed such that on one face are your kingdom's arms and on the order face is you effigy. This way, there will be in monetary uniformity in all Europe"*

Napoleon Bonaparte, the French dictator, appear to be a forefather of the euro. But in the beginning of the 1940s, it was another dictator who was imposing his monetary arbitrariness to France.

Indeed, no reason but Germany's diktat and willingness to «buy» French assets at discounted prices, justified such a exorbitant exchange rate between the French franc and the German mark. One can already remark: this arbitrary manipulation of exchange rate is an enhanced feature of lemonaz. It led to absurd exchange rates between the CFA franc and the French franc yesterday, and to continue to lead to today's also absurd exchange rate between the CFA franc and the euro, after French franc's death and its replacement by the euro. This new but Napoleon-inspired unique European currency, the euro, was introduced as an accounting currency on 1st January 1999 for large and intra-states operations, and as physical coins and bank bills for everybody's transactions three years later on 1st January 2002.

The decision to fix the exchange rate between the mark and the French franc at 1 mark for 20 French francs was announced *unilaterally* on May 9, 1941 by German minister Hemmen to a French ministerial delegation that he had summoned to come to his office in Wiesbaden in Germany. Pierre Arnoult laments:

> *"Hemmen triumphs at Wiesbaden and announces (…) the definitive fixation of the exchange rate: 20 francs for 1 mark".*

This very advantageous exchange rate allowed Germany to "buy", in fact to plunder billions of hard and real French wealth: agricultural crops, industrial products, intellectual services, artistic creations, etc., in exchange of *special marks*, in reality paper money the Germans printed as much as they needed to "buy" French goods. In order to avoid inflation in Germany, German central bank, under Dr. Schacht, printed different sorts of marks, of which these special marks that could be used exclusively in conquered land, and which had no value in Germany.

If fairness and economic logic instead of German greed and imperialism were observed, the exchange rate between the mark and the French franc would have been around 1 mark for 9 or 10 French francs. Before France's June 1940 defeat, the normal exchange rates were: 1 = 5.40 French francs on August 1st 1939 and 1 mark = 4.60 francs on 28 August 1939. At the eve of France's defeat, price index comparison between France and Germany situated the exchange rate at around 1 mark = 10 French francs.

Suddenly and to repeat, out of any economic logic, Germany once she had conquered France doubled that rate! René Sédillot rightfully observed:

> *"The 20 francs parity, chosen and imposed by the conquerors was therefore the expression of a deliberately punitive policy against defeated France and for the sole benefit of Germany".*

He then pointed out the true reason behind the un-economic exchange rate decision:

> *"By granting herself an exorbitant purchasing power in the conquered land (France), the invaders (Germans) were securing for themselves an easy plundering of all local wealth".*

The conjuring whereby, all of a sudden Germans doubled their currency's purchasing power in France, was so well performed that only very few French people noticed that they were being cheated. This remark is also true for the other conjuring that was performed in Dakar in January 1994 which doubled the French franc exchange rate vis-à-vis the CFA franc: from 1 French franc for 50 CFA franc, the rate jumped to 1 French franc for 100 CFA franc.

Writing on the German monetary conjuring that dazzled the French and prevent them from seeing how they were being cheated, Sédillot says:

> *"Artlessly, some French men and women admired the "politeness" of those soldiers who stole nothing, and shop owners delighted to find in them customers who paid without bargaining (…) For longtime, duped French opinion would confound today German buyers with old days tourists. Didn't the former and the latter paid with legal currency?"*

Then he puts his finger on the trick:

> *"They (the French people) were slow to understand that behind a craftly monetary strategy, the occupiers could rob them indefinitely and transfer for nothing, from France to Germany, huge reserve of real values".*

He comes back to the distinction between the buying acts of German tourists in France *before* France's defeat and those of German occupying forces after this defeat:

> *"Tourists had bought their francs with hard currency: German occupiers paid with bills they have issued themselves or that the French Treasury gave them as occupation fees; all their pain was to print or to receive that piece of paper and to exchange it for real goods."*

Africans of the franc zone knows almost instinctively how the French «ingenious monetary strategy», in fact lemonaz, as we technically named it, indefinitely, endlessly loot their continent's real wealth, and channel it to France, in exchange of nothing more than pieces of paper the French government prints, and that were worthless and can buy nothing in France.

Concluding on the emonaz's arbitrary and biased exchange rate, Sédillot, in three short sentences summarizes Germany's emonaz's exploitative exchange rate, an evil that once more France has amplified and implemented through lemonaz in the African CFA countries:

> *«The mark at 20 francs doubled Germans' purchasing power, secured their automatic enrichment and France's automatic impoverishment. It created in France a prime for*

exportation without counterpart (…) It showed how, thanks to a monetary ingenuity, a victorious war can become a good paying war".

Each of these sentences perfectly describes what France has been doing in CFA African countries:

(i) Automatic enrichment of the Reich and automatic impoverishment of France? This German automatic enrichment and subsequent France's automatic impoverishment lasted only four years whereas the automatic enrichment of France and the subsequent automatic impoverishment of CFA African countries have been going on for more than six decades, from 1945, when the CFA franc was created, up to today.

(ii) The harmful exchange rate created "exportation without counterpart" between France and Germany? Look at the nature of trade between African CFA countries and France: same "exportation without counterpart".

Regarding trade, France's lemonaz has a capital advantage over Germany's emonaz: the African countries France has been plundering possess in abundance strategic wealth that France never had and that Germany could have never found in France, for instance mineral resources, and energetic treasures (oil, gas, uranium, etc.). France took everything, in exchange of nothing.

TWO, DIKTATS

A **second** emonaz's feature its **arbitrariness** and **diktats**. This feature is already observed in the exchange rate decisions we've just seen. Germany left very little room to France in any monetary discussion between the two countries. There's no better illustration of this second emonaz's feature than the price German set – of course unilaterally – for France's government to pay as the costs for sustaining German troops in occupied France.

After she defeated France, Germany decided that the French government must pay the price of maintaining and feeding the German army in France. The Germans called the French for a discussion of that price. On 16 May 1941, exactly one week after he had *arbitrarily* set the exchange rate as we've just seen, minister Hemmen chaired the armistice commission between German and French officials. That day, the commission's principal topic was the cost of the occupying army.

Though he already knew the price he would imposed upon France, minister Hemmen, cunningly as his master Hermann Goering, opened the commission by dodging the central topic. Moreover, he used very nice and even appeasing expressions towards the French delegates. Pierre Arnoult reproduces what Hemmen said:

> *"We're gathered here to discuss technical details of the reduction of the occupation fees. It's a difficult and complicated question, not only because of problem of the amount of the occupation fees and of the means of payment, but also because of connected problems we have to solve".*

The French delegates were agreeably surprised by this polite tone. All the more surprised when they heard the German minister inviting them to say a price: *"Referring myself to your note dated March 18, may I ask you to expose your desire?"*

Mr. de Boisanger, head of the French delegation started a plea in which he demanded the Germans to dare suspend the requirement forcing France to pay those costs. To support his demand, he said that German troops in France were spending only a half of the 20 million marks France was paying them per day. He added that on top of that payment, the German government still possessed 56 billion francs at the Banque de France. The French delegate also said that the number of German troops in France was not as large as the German officials had announced.

Continuing to play the nicety game, Hemmen didn't reply directly. He calmy said that the exact number of German troops in France was a military secret Germany could not communicate to the French. Then he asked Dr Litter, a German finances ministry civil servant to answer Mr. de Boisanger's demands.

Dr Litter rejected de Boisanger's demands on the ground that supporting German troops in France cost much more than 20 million marks per day since, to the costs being paid in France, one should add the costs German government must pay to those troops' families in Germany and for these same troops' supply, equipment and armament. Playing down the 56 billion marks on Germany's account at the Banque de France, Dr Litter said this account was creditor only because it had not yet been possible to transfer that money to Germany. A transfer that would happen sooner or later.

Major Kaltenegger, a high ranked German military officer, took the floor and reiterated what Dr Litter had just said. Speaking directly to de Boisanger, he said the "external expenses", meaning the ones related to soldiers' families in Germany, also "certainly exceed the 56 billions (francs) at the Banque de France", given "the statistics Germany's high command had established, statistics that, obviously, I cannot show you".

Mr. de Boisanger pleaded that indirect costs, for instance the "external expenses" should not be included in the costs of supporting German troops in France's soil. He added that tough with 5 millions soldiers, the French army was more numerous than the German, it costed only a total of 250 billions francs per year or 695 millions francs per day. Therefore, he concluded, Germany should lower the price she had imposed the French government to pay for German troops in France.

Comparing the French and the German army took Hemmen out of himself. Up to that moment, he had remained calm. But de Boisanger's comparison irritated him to the highest point. He popped up, shouting this cutting apothegm that Frenchmen will never forget:

> *"You are surprised that our army cost that much. Yet it's a universally acknowledged fact, after our successes. Our army is a perfect instrument, don't be then surprised that it cost us much".*

Because of Hemmen's apothegm, the German could set the cost as higher as they like. Isn't the cost of a "perfect instrument" logically infinite, all the more so when this instrument is the Fuhrer army?

The German army is a *perfect instrument*! Hence Germans' superiority complex vis-à-vis the French people, and concurrently, the inferiority complex that the German occupiers were succeeding to build, thanks to emonaz, in the mind of the Vichy government's officials who were ruling France. That's exactly the same inferiority complex France has successfully built, this time through lemonaz, in the CFA Africa's countries' rulers' mind over the last five decades. An inferiority complex that among other ills, has allowed France to maintain significant military troops in many of these "independent" countries: Senegal, Gabon, Tchad, Central Africa Republic, Côte d'Ivoire, etc.

Hemmen finally decided that France would pay not the previously agreed 20 millions marks per day or 400 million francs, given the fixed exchange rate between the two currencies; but much more: an astronomic sum of 500 million francs a day. This is the cost of only the few German battalions in France which is to be compared in other to feel its importance, to the 695 millions francs a day which is the total cost of the entire French army. On this typical emonaz decision, the American historian, Martin Wolfe commented 52 years ago, calling it *"sheer lootin".* A comment that perfectly depicts the lemonaz sheer looting machinery France has been using to funnel African wealth:

> *"If necessary this arrangement (the 500 millions francs French had to pay) could have continued to drain away the substance of the French economy without the return from Germany of a single harmonica or box of aspirin – an interesting exception to the notion that foreign trade essentially consists of exchanging goods for goods. Here we have the end product – sheer looting – of the process of maintaining an adverse trade balance for Germany begun during the Four Year Plan ".*

Now, ask the peoples of Niger, a typical CFA country about the trade between Niger and France. What has Niger obtained in exchange of her uranium, *real* goods, over which France's state owned companies have maintained a 5 decades uninterrupted monopoly? Peanuts, sheer looting. Unsurprisingly, Niger is the last country in the UNDP[4] human development ranking. Ask the Gabonese, another CFA country: what have the they received in exchange of their country's oil, uranium, timber, etc... again a long time French firms' monopoly? Sheer looting. Ask the Congolese, ask the Cameroonians, ask the Chadians, ask the peoples of Côte d'Ivoire, ask the Senegalese, etc

In all African CFA countries, without a single exception, operates the same "sheer looting" that monetary Nazism produced in France and that Martin Wolfe perfectly described. This American scholar published an essay untitled *The Development of Nazi Monetary Policy*. in the December 1955 issue of *The Journal of Economic History*. That was a seminal work on nazi monetary policy. Though Wolfe's essay dealt more with internal monetary Nazism, Dr Hjalmar Schacht's domain as opposed to external monetary Nazism or emonaz which, to repeat was that of Schacht's alter ego, Hermann Goering, Dr Wolfe gave some noteworthy insights on emonaz.

THREE, APPARENT DISDAIN OF MONEY

One such insight is emonaz's **third** key feature, a feature that once more, the French, in their transmutation, loaded and then implanted in Africa. This third feature lies at the very core of Hitler's ideology, as the Fuhrer expressed it himself in his *Mein Kampf*. Unsurprisingly, this feature is one of the only two features – the other one being racism – commonly shared by the nazi domestic monetary policy applied in Germany, and the nazi external monetary policy or emonaz, applied in conquered countries. This feature is the nazi's **apparent disdain of money**.

Martin Wolfe observed:

> *"The general antimaterialist outlook, symbolized by the vague but compelling slogan "Gemeinschaft vor Eigenschaft," carried with it a continuing suspicion of monetary institutions. Part of this hostility to finance was sincere, though for the most part, the slogans it spawned can be written off as sops thrown to the consciences of the nazi radicals".*

Martin Wolfe shows how the "antifinance mystique" has been a permanent propaganda tool the Hitlerian movement relentlessly used. Hitler knew his antifinance stance's appeal on German masses. In Germany, that stance brought him both electoral successes and millions of Germans who supported his domestic monetary policy. Seeking the same appeal and successes, Hitler extended his antifinance propaganda abroad in conquered territories.

Martin Wolfe continues:

> *"On the propaganda level, the antifinance mystique was sustained all through the history of the Third Reich, and after 1940 it became fashionable among the puppet governments".*

Dr Wolfe illustrates his remark with the following striking scene observed in Paris under the Germans and the Vichy government. This scene is all the more instructive because it combines the only two features that the nazi domestic and the nazi external monetary policies share: disdain of money and racism.

The scene shows *"a bizarre leaflet dropped in the streets of Paris (…) On the outside, the leaflet looked convincingly like a United States dollar bill, making it irresistible; unfolded, the leaflet was revealed as a diatribe against the evil and Jewish attributes of the dollar: the all-seeing eye of Jehovah, the eagle of Israel, and, of course, the signature of Morgenthau, "apparenté aux grands requins de la Finance internationale".*

Of course, Hitler's disdain for money was just apparent. Of course, Hitler loves money, as many of his biographers have showed. In addition, Hitler's and the nazi government's megalomaniac plans need increasingly large amounts of money. The disdain of money was nothing but a façade to deceive, as often with the Nazi; it was a pure propaganda tool as Dr Martin Wolfe put it. Conquered countries' peoples knew very well that Hitler and the German occupying machine was a powerful drain on their finances and monies.

Identically, successive French presidents, from Charles de Gaulle in 1958 to Nicolas Sarkozy today, with in the meantime Georges Pompidou, Valéry Giscard d'Estaing, François Mitterrand and Jacques Chirac, have exhibited to African CFA countries' peoples the same Hitlerian disdain for money. In particular, François Mitterrand, who stayed in power longer than any of his six colleagues, was known for his proclaimed contempt of money. He was often quoted as considering money as a dirty thing *("l'argent est sale").*

Hitler's disdain of money was a lure. He used it in the countries he conquered, France for instance, for two purposes. One, to distract these countries' peoples while emonaz was stealing their wealth and sending it to Germany. Two, to disarm these peoples' entrepreneurial audacity, and incline them towards bureaucratic and governmental low salary jobs while German industrial firms and financial companies were reaping big profits out of those countries. Likewize, French Presidents' disdain of money and that of the laden external monetary Nazism or lemonaz that France has been practicing in the African CFA franc countries, have been fulfilling the same two purposes, again with damages amplified and greater than those Germany caused in France through emonaz.

Among many cases we lack the space to show in the present article, here is just one, to illustrate the first of the two purposes of French lemonaz's apparent disdain of money. It's about Charles de Gaulle. This Frenchman is worldly acclaimed as a Spartan and honest leader. Yet Charles de Gaulle, emonaz' main father, has a phenomenal record in stealing African wealth. Though this record, because of France's black-out on French crimes in Africa, has not yet been fully investigated, a TV documentary[5] and two books already show this record's enormous extent.

The first book was published 56 years ago: *L'or et le diamant en France métropolitaine et dans l'Union française*[6], by Jacques et Jean-Pierre Lenormand (1951, SEP). The second book is recent. It was released last October 2007. Though its subject isn't lemonaz that book's content and even its title already gives an idea of lemonaz and of French plundering in Africa. The book is *L'or africain – Pillages, trafics & commerce international*[7] (Agone, 2007). It's co-authored by Gilles Labarthe, a Swiss investigative journalist and François-Xavier Vershave[8], a French NGO leader. Mr. Vershave was famous for a neologism, *Françafrique*, he coined more than one decade ago, and which is widely used today to describe the mafia nature of the relations between French rulers and those of the African franc zone. That the word *françafrique* has never appeared in any of the tons of IMF's and World Bank's documents "against corruption in Africa", show the influence French rulers have on these two institutions, and these rulers capacity to extend the omerta there. But let's not anticipate. More later on this critical topic.

Labarthe's and Vershave's book's chapter V, is untitled *La part de la Françafrique*. It describes how lemonaz, the technical and operative name of the CFA franc system as we've seen, has been plundering African gold for France's sole benefit. *"It's because of her wealth that Africa has been invaded and occupied by western power, of which France"*, write the two authors. *"Before diamond, gold is the first mineral prospectors sought"*. In a section untitled *De Gaulle & la ruée vers l'or*, (De Gaulle and the gold rush) of that same chapter V (pp. 115-116) Labarthe and Vershave show how France in general and De Gaulle in particular, have looted tons of gold from African CFA countries.

For instance, in the beginning of the 1940s, Charles de Gaulle plundered African gold and used it for three purposes: personal enrichment; financing of a resistance to German occupation of France; and the financing of France's gold standard monetary policy. People often wander why France which has no gold mines, no golden treasuries and whose foreign trade was weak, nonetheless continuously preferred the gold standard monetary policy.

Indeed, from the 1940s, up to Richard Nixon's slaying of the gold exchange standard on 15th August 1971 and even after that date, France's rulers have invariably expressed their preference to the gold standard policy. Jacques Rueff, France's 20th century dominant monetary policy specialist, and Charles de Gaulle's key advisor in monetary affairs, were among the strongest gold standard advocates in the world[9]. France and its rulers could take this monetary policy stance only because of the mountains of gold they had already stolen in African CFA franc countries and accumulated it in their central bank' coffers, and because of the lemonaz policy that allowed them to perpetuate their looting up to today, after France granted the 1960s "independence" to these countries.

These stolen gold came for instance from Gabon, Central Africa Republic, Mali, Cameroon and the Republic of Congo. Between 1940 and 1945 Charles de Gaulle and France looted no less than 3 tons of gold, only from the mountainous chain of Mayombé in Congo. From 1934 to 1947, France looted no less than 6 tons of gold only from the Betare Oya region, South East region of Cameroon.

FOUR, DISORGANIZATION OF FINANCIAL MARKETS

The **fourth** emonaz's feature is also shared by lemonaz: it's the nazi *disorganization of the financial markets* of the countries they conquered. Once more, this feature illustrates the direct kinship between emonaz and lemonaz.

Hermann Goering, the emonaz key designer, summarized the nazi ideological rationale to disorganise financial markets. He spoke with scorn of these markets; he derided the "so-called free play of economic forces". He accused these forces to be responsible of the chaos and huge unemployment in pre-nazi Germany. Once in power, the nazi adopted "a principle for dealing with monetary affairs" writes Martin Wolfe, that aimed to offset and neutralize "the autonomous features of capitalist monetary institutions", and put in place a machinery that would solely feed Hitler's Germany with conquered countries' finance.

Nowhere was this aim more sternly implemented than in France. "With no great effort on their part," Wolfe remarks, after Pierre Arnoult's calculations, "the Germans were able to lay their hands on over 800 billion French francs – roughly two years' prewar national income".

Few historical or economic studies have been devoted to Germany's cruel exploitation of France through the disorganization and the subjugation of France's financial markets. A rare and recently published paper on that topic is *Market microstructure and nazi influence on the Paris stock exchange during World War II*, by Kim Oosterlinck, a Belgium economics professor. He recalled that already "in 1934, (the nazi government launched) the first measures to counter the supposedly negative influence of capitalism".

On August 7, 1940, that is less than two months after the Germans entered Paris, they closed the Paris stock exchange. A stock black market immediately appeared. The occupant and the French puppet government joined efforts to dismantle this black market. Despite their willingness and the absolute powers they had, they didn't succeed. The financial black market continued if not to prosper but certainly to damage the economy, diminishing the revenues both that government and that occupant could collect from a normally functioning financial market.

Obeying to pragmatism, German occupiers permitted the reopening of the Paris stock exchange, which happened on October 14, 1940. This reopening was also the result of French Ministry of Finance's multiple pleas towards Germany, for instance at the Wiesbaden peace conference. "During the Wiesbaden peace conference", writes professor Oosterlinck, "the French authorities insisted on the vital aspect of a properly functioning market for fixed income securities." Furthermore, the Germans themselves came to "fully understand the importance of the bond market" in France since "the French government had to rely on paper or bond issues to cover the occupation costs".

However, nazi Germans' permission for the Paris stock exchange's reopening did not mean they had abandoned their goal of disorganizing the French financial markets. They remained radically opposed to free market. Once reopened, the Paris stock exchange or the Paris bourse was imposed weighty restrictions and cumbersome controls. Professor Oosterlink remarks: "(The Paris bourse's) opening hours were limited and access to the bourse became heavily restricted. Out of the 6000 persons who were working there before the war, only 900 regained access. (…) the number of allowed securities was severely reduced. In order to redirect investors' cash towards state bonds, stocks and shares as well as foreign securities were not readmitted. The very large *Marché à Terme* (Future Market) was simply suppressed as it was considered too speculative. Furthermore, Dr Sprockhoff, one of the *Reichsbank* directors, would be present during the sessions."

Likewize, heavy French presence and disorganization of financial markets are also CFA system's dayly realities. Dr Sprockhoff's physical presence and that of other German government's officials at the heart of France's financial market allowed the Nazis to disorganize it from within. Similarly, France maintains French civil servants at the heart of the institutions that govern African CFA countries' monetary and financial system, for the same disorganization goal. No substantial decision can be taken in the CFA system in the absence of French government's representatives.

Actually, France's success in disorganizing these markets has exceeded nazi Germany's disorganization of the Paris bourse. The extent of French success is such that there isn't a real stocks market in any of those countries. The African CFA franc's countries are bunched up into two sub-groups[10]: UEMOA and CEMAC. In terms of GDP, Côte d'Ivoire in UEMOA and Cameroon in CEMAC are, and by far, the respective major nations of those two sub-groups. Côte d'Ivoire's share of UEMOA's GDP is 36%, almost double the second largest share, that's of Senegal, which is 19%. Cameroon's share of CEMAC's GDP is 45%, more than double the second largest share, that of Gabon, which is 20%. Therefore, logically, each of the two leading countries, Côte d'Ivoire and Cameroon, should have had a vibrant stock exchange.

None of them has any. Some two decades ago, under French guidance, the franc zone institutions decided to create a common stock exchange for the UEMOA. It was approved that this bourse's headquarters would be Abidjan, Côte d'Ivoire's capital city. A natural choice indeed. But since its opening, the bourse d'Abidjan has never functioned properly, once more because of France's interferences. From the beginning, France's plan was to assign one single goal to the bourse d'Abidjan: cornering African finances for the sole benefit of the French colonial firms that continue to dominate Côte d'Ivoire's economy, exactly as nazi Germany had done for the Paris bourse.

Laurent Gbabo won Côte d'Ivoire's presidential elections in October 2000. He started to show signs of patriotism and true independence vis-à-vis his France, his country's colonial aggressor. For French rulers, that was an inadmissible step against France's goal. They couldn't stand Gbabo's attitude. They reacted immediately. They extended the disorganization strategy not only to Côte d'Ivoire's monetary and financial system, but to that country's entire economy. And France went radically further than nazi Germany: they provided the logistics and the financial means whereby a group of Gbabo's opponents launched a war that lasted four years, radically splitting the county into two antagonist territories and administrations.

The franc zone's institutions chose to set the CEMAC stock exchange in Libreville, Gabon's capital city. This choice was both illogical and uneconomic. The obvious choice was Douala, in Cameroon. To repeat, Cameroon is by far the biggest economy in CEMAC, and Gabon, the second largest is only 44% of Cameroon's GDP.

The CEMAC stock exchange shows one aspect of the CFA system's internal dysfunction and the obstacle it represents for Africa's development. All CEMAC countries, including Cameroon, had approved the choice of Libreville. Yet, few weeks after that unanimous approval, Cameroon, went on alone to create its own stock exchange, in Douala. Now, the CEMAC has two stock exchanges, yet none of them functions.

A comparison with other African countries is instructive. Tunisia, Morocco and Algeria were also members of the franc zone. That was in colonial times. The day after they became independent, each of these countries rejected that zone and quitted it. That was a common sense move. Today, each of these three countries is for more developed economically than any of the African countries that have remained in the franc zone's yoke. Financial markets in each of the three countries are far deeper, more extended and development-oriented than in UEMOA and CEMAC combined. And when CEMAC decided to create its stock exchange, it sent its experts in Tunisia, to learn from the Tunisians.

UEMOA's and CEMAC's financial markets compare once more unfavourably with those of the so-called Anglophone African countries. For instance Nigerian or even Kenyan or Zimbabwean financial markets are more vibrant, more active for their national economy than those of UEMOA or CEMAC.

The Abidjan bourse, the Libreville bourse, the Douala bourse, all are nothing but shell in France's hands to disorganize financial markets in the African CFA countries. Moreover, France uses them to collect money for the French colonial firms that still monopolize these countries' economy. Nazi Germany did the same in France through emonaz. Now, we have enough proofs showing that France has just amplified emonaz and transplanted it in Africa in what we've called lemonaz.

FIVE, RACISM

External monetary Nazism, or emonaz has a **fifth** feature it shares with lemonaz, laden external monetary Nazism, the monetary policy that France has been imposing to the puppet governments that make up the African CFA system. This feature is obvious: **racism**.

Racism was of course a principal nazi Germany's leitmotiv. How this racism permeated Germany's monetary policy both in Germany and in countries like France that Germany conquered is a vast and certainly a fertile field of research that has not been sufficiently labored yet.

Our interest here is mainly what happened in conquered countries. Racism was a powerful monetary policy force German occupants used to take over targeted groups' wealth, without compensation. Jews were one of these groups: Beforehand, the nazi had racialized and excluded them.

France had a peculiarity in monetary policy's racism that radically distinguished her from other conquered countries: a racist zeal. Indeed, France's Vichy government and the French society in general shared a strong anti-Jew ideology. Vichy's rulers implemented their anti-Jews ideology with a zeal their nazi bosses didn't ask for. Hence the Vichy racist laws "aiming at suppressing the Jewish presence in the bourse" as Oosterlinck observes, and that "eventually forced the Jews to quit their position" in France's monetary and financial markets. For instance, on November 17, 1941, the French government excluded Jews from participating in the financial markets. In October 1942, France passed another anti-Jews law that Germany had not asked for. This October 1942 law extended and reinforced the November 1941 law.

A leaflet perfectly illustrates the monetary racism the Vichy government and the French society in general amply shared. It's the leaflet mentioned earlier, and that was widely distributed in France's towns and villages. One face of the leaflet perfectly looked like a US dollar bill; the other face was a ferocious anti-Jews diatribe.

That Germany didn't ask for these anti-Jews laws do not mean Germans weren't involved in French monetary and financial policy's racism. Germans partook in this racism even when they would prefer a background, distant yet influential role. They did it mainly using the old "divide and rule" method, and an "exclude and reign" scheme, favoring this group and penalizing that one. Tactically, they proceeded in two ways.

One, as we've seen, they excluded the Jews. Writes Oosterlinck, "the limited number of Jewish *Agents de change* (brokers) and the importance of the *Parquet* in economic terms explain why the Germans favored this group of brokers rather than the *Coulisse*, where traders were Jewish and where the futures market (accused of increasing speculation) represented 60% of trades."

Two, the German occupants picked a group of French citizens to which they showed sympathy. They said this group was akin to the Aryan race and therefore was superior to the rest of France's population. This cherished group was the people of Alsace, a French region at Germany's western borders. The racist Germany's monetary policy in France favored Alsatians. It granted them privileges refused to other French peoples. Alsatian securities were traded in favorable terms. And Alsatian leaders played prominent roles in the nazi monetary policy in France. The same prominent roles they played in the military and repressive forces that maintained the German rule on France. The Ouradour-sur-Glane massacre on 10th June 1944, in which in one day the occupiers destroyed the French village of Ouradour-sur-Glane and killed some six hundreds innocent folks was perpetuated mainly by Alsatian troops. Because they were classified within the Aryan race and took pride of it, the Alsatian ethnic group received more of German trust than the other French ethnic groups.

France's lemonaz follows the same two tactics in African CFA countries. Firstly, France divided to rule. Secondly, in every African CFA country, France excluded to reign. Indeed, France chose the ethnic groups she excluded and the ones she favored. France banned the former from key position in the country's monetary policy and political life. The latter would be given the power in these two activities. The former, who reject foreign aid, are invariably among the country's most dynamic groups, the ones able to challenge France's economic grip on their country and lead their country to prosperity. The latter have often collaborated with the French colonialists, have inherited French bureaucracy and always beg for foreign aid.

One permanent victim of this exclusion is the Bamileke ethnic group in Cameroon. France's dominance on Cameroon's economy and politics is possible only because France has succeeded in ostracizing the Bamileke. Yet, the Bamileke form an ethnic group known for its entrepreneurial ethos, its financial capacity, and its commercial skills. The Bamileke could have been the locomotive leading Cameroonians to prosperity. But France's monetary Nazism in Cameroon, *lemonaz*, has been systematically excluding the Bamileke, despite their qualities, merits and hard working ethic! In that exclusion lays contemporary Cameroon's economic drama: a rich land, hard working peoples, but a continuous impoverishment. A lemonaz drama! No Bamileke is admitted for any significant position in Cameroon's, not to speak of CEMAC's monetary policy.

The most notable Cameroonian economist is probably the late Professor Joseph Tchundjang Pouemi. Also a Bamileke, he remains to date, the most pertinent critic of the CFA system's economic perversities. His book, *Monnnaie, Liberté et Servitude* (Currency, Liberty and Freedom), written in 1979 and published in 1981 remains today, two decades later, the reference, the pedagogical book against the CFA and the lemonaz slavery, and for Africa's monetary emancipation. Of course lemonaz's advocates have once more ostracized that book. After only few months presence in bookstores' shelves, Tchundjang Pouemi's book was no longer available. It has never been reprinted; it has never been translated in English or in any other language.

In Cameroon, all the evils the five emonaz's and lemonaz's features produce are present, intensely. Hence that country's extremely poor economic performance, despite abundant natural resources and hard working peoples. We've seen it, these five features, which make the essence of Germany's external monetary Nazism (*emonaz*) in conquered territories, are equally shared by France's laden external monetary Nazism (lemonaz) in the African CFA franc's countries.

The CFA franc and the CFA franc system were created in December 1945. They didn't exist *before* France suffered defeat and the hitlerian exploitation. Prior to that defeat, monetary policy in French colonies were certainly exploitative but never to the extent the CFA franc system would later reach. Therefore chronologically, and substantially, the filiation between on the one side emonaz, the external monetary Nazism, and on the side, the CFA franc monetary system, or lemonaz, is undisputable.

Lemonaz is a direct emonaz's offspring. Unless this basic reality is understood, unless lemonaz is fought and totally destroyed, as every Nazism must be destroyed, African CFA franc's countries will remain in servitude and dire misery.

CONCLUSION

The single African currency must absolutely avoid the CFA franc and the franc zone methods. African will gain a lot by creating a single currency built on the three foundations mentioned in this essay's introduction: a minimum degree of social cohesion, a maximum economic policy's integration, and full sovereignty. It is important to solidly set each of these foundations before engaging in the creation of the SAC. African decision makers do not have the time to hesitate. They must act quickly, but wisely. Otherwise, Africa will definitely fail in this era of aggressive giants. And the defeat will be all the more complete today because of a combination of crises that are hitting Africa more powerfully than ever and than elsewhere: the financial crisis, the food crisis, the energy crisis, the environmental crisis and the demographic bomb.

End Note

1 Benin, Burkina Faso, Côte d'Ivoire, Guinée Bissau, Mali, Niger, Sénégal, Togo, Cameroon, Central Africa Republic, Chad, Republic of Congo, Equatorial Guinea, Gabon, Comores.

2 At its creation in the colonial era, CFA stood for *Colonies Françaises d'Afrique* (French Colonies of Africa). After the formal independence France of the 1960s, the acronym CFA was maintained, but with a new meaning: *Communauté Financière Africaine* (African financial Community).

3 David Pryce-Jones, *Paris in the Third Reich: A history of the German occupation 1940-1944*, New York: Holt, Rinehart and Winston, 1981.

4 United Nations Development Program.

5 http://www.dailymotion.com/relevance/search/bokassa/video/xudup_bokassa-entrevue-defendu_politics

6 Gold and diamond in metropolitan France and in the French Union.

7 African gold: plundering, traffics & international trade.

8 François-Xavier Vershave and his NGO called Survie have been at the fore front in France of the fight against lemonaz and French rulers' crimes in Africa. François-Xavier has written extensively on françafrique. Here are some of his books: (i) *Françafrique, Le plus long scandale de la République* (Stock, 04/1998), (ii) *De la Françafrique à la mafiafrique*, (Tribord Eds, 01/2005), (iii) *Noir Chirac* (Les Arenes Eds, 02/2002), (iv) *Au mépris des peuples: Néocolonialisme franco-africain* (Co-author: Philippe Hausser; La Fabrique Eds, 02/2004), (v) *On peut changer le monde* (Co-author: François Lille; La Découverte, 01/2003), (vi) *L'horreur qui nous prend au visage* (Co-author: L. Coret;Karthala, 02/2005), (vii) *Noir silence: Qui arrêtera la Françafrique ?* (Les Arenes Eds, 04/2000), (viii) *Les pillards de la forêt: Exploitations criminelles en Afrique* (Co-author: Arnoud Labrousse; 04/2003 Agone), (ix) *La santé mondiale entre racket et bien public* (Mayer Charles Leopold Eds, 11/2004), (x) *Noir procès: Offense à chefs d'Etats* (Co-author: Laurent Beccaria; Les Arenes Eds 02/2001), (xi) *L'envers de la dette: Criminalité politique et économique au Congo-Brazza et en Angola* (Agone, 04/2003). François Xavier Vershave died on 29 June 2005.

9 Jacques Rueff, Le péché monétaire de l'occident, Paris: Plon, 1971. Chapter IV of this book is the integral reproduction of Charles de Gaulle famous conference on February 4th 1965 when he clearly stressed France's preference for the gold standard. And chapter V is the interview Jacques Rueff give the following days to the London Magazine, The Economist, that published it in its February 13rd 1965 issue. Later, Princeton University published that interview in June 1965 as a brochure untitled *The role and the rule of gold*. No one better expressed France's preference for the gold standard than Professor Jacques Rueff. A preference that totally was predominantly based sit on African oil.
One could also cite Jean Fourastié, *Les Trente glorieuses*, Paris: Fayard, 1979.

10 The two sub-groups are UEMOA and CEMAC. UEMOA (*Union Economique et Monétaire Ouest Africaine*, West African Economic and Monetary Union); CEMAC (*Communauté Economique et Monétaire d'Afrique Centrale*, Central Africa Economic and Monetary Community). In reality one should speak not of one but of three different CFA francs: one for UEMOA (Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo); one for CEMAC (Cameroon, Central Africa Republic, Chad, Republic of Congo, Equatorial Guinea, Gabon); one for Comores.

Removing Socio-economic Bottlenecks to Achieving African Single Currency

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Contents

ABSTRACT

This paper traces the history and discusses Africa's socio economic situation and observes that it is diverse in terms of people, culture, language, demography, and colonial background. To achieve uniform African currency understanding Africa's diversity and militating socio economic problems is necessary. Accordingly, the paper identifies basic socio economic bottlenecks and these are; poverty, illiteracy, diseases, disunity, poor trade links amongst the countries and difference in language and colonial orientation. In addition, the design of an acceptable currency means that every region's interest must be considered. The paper recommends that there must be good governance in Africa in order to arrest poverty related problems. There must also be sound intercontinental network of roads for easy flow of goods and people. More so, identification of Africa's heroes, features, languages and culture must be made to reflect on the currency.

INTRODUCTION

Currency union is not new in the world. European Union succeeded in establishing Euro in 1999 by the European Central Bank. This bank is legally independent of central banks in the Euro Area. The Bank succeeded in ensuring monetary stability in the region. In Africa, South African Customs Union has Rand as the benchmark currency for Lesotho, Namibia, and Swaziland, although interest rates are set independently by respective central banks. The France Zone in Africa has CFA Franc pegged to Euro as sole legal tender but the CFA institutions are working closely with *Banque de* France and the French government treasury. The Anglophone West Africa formerly has West African Currency Board between 1912 and 1959 issuing pound and penny. In 1999, the Economic Community of West African State (ECOWAS) Summit in Lome, Togo, took a decision to establish ECO currency.

But unlike Europe, Africa has unique socio-economic problems. Namely; high level of poverty, little trade links among countries, difference in terms of trade, and diverse people and culture. As a result of these problems, a special approach is required towards the smooth introduction of African currency acceptable to all the countries in the continent.

It is the objective of this paper to discuss the socio-economic problems associated with currency unity and to proffer solutions. The paper also aims at discussing socio-cultural bottlenecks to currency design and implementation and at the same time proffer solutions.

To achieve these objectives, the paper is segmented in to different sections. These include Historical background of Africa, Africa in the modern world, Currency union, problems and solution, Currency design, problem and solution, and Conclusion.

HISTORICAL BACKGROUND

Location

Africa is the second largest of the seven continents on Earth, covering 23 percent of the world's total land area and containing 13 per cent of the world's population. Africa straddles the equator and most of its area lies within the tropics. Africa is surrounded by oceans and seas. It is bounded by the Atlantic Ocean in the west, the Indian Ocean and Red Sea in the east, and the Mediterranean Sea in the north. In the northeastern corner of the continent, Africa is connected with Asia by the Sinai Peninsula. The Island of Madagascar, which is the fourth largest island in the world, lies off the southeastern coast. There are other offshore islands such as the Madeira Islands, Canary Islands, Cape Verde Islands, São Tomé, Príncipe, and Bioko, off the western coast; and the Comoro Islands, Seychelles, Mascarene Islands, and Socotra, off the eastern coast. The continent including its adjacent islands covers 30 million square kilometers, equivalent to 12 million square miles.[1]

The continent is indeed of great diversity; in people, language, religion, culture and traditions.

Topography

The continent is endowed with very impressive physical features such as rivers, mountains, rocks, islands, lakes, desert, and wetlands among others. The most notable of these are River Nile, Kilimanjaro Mountain, Lakes Chad and Tanganyika, etc... Most of the continent lies between the Tropic of Cancer (in the north) and the Tropic of Capricorn (in the south) and experiences high temperatures throughout the year. The amount, duration, and seasonal distribution, are the most important factors differentiating its climates. In essence, Africa has six types of climatic zones: tropical wet, tropical summer rainfall, semi-arid, arid, highland, and Mediterranean.[2]

Human and material resources

The continent is also richly endowed by nature, there are enormous natural resources scattered almost in all the countries of Africa. These include gold, tin columbite, iron-ore, copper, cocoa, fish animals and crude oil often called the *black gold of the 20th century*, amongst others. Human resource too has not been a neglected phenomenon as today there are African brains outside Africa contributing to the progress of their host countries.

Contrary to the Eurocentric views and assertions which portrayed Africa and the Africans in a very fallacious manner,[3] Africa is a very historic continent. The findings of archaeologists and scientists alike have proved beyond reasonable doubt that Africa was the original home of mankind[4] from where he diffused to other parts of the world in the course of time. The scientists have discovered some human remains in places like East Africa amongst others which prove that man has been living in this part of the world about 60 million years ago, at least since the Stone Age period.[5] This debunked the European beliefs that the continent was not a historic continent.

The people of the continent speak several different languages. Although the number of distinctive languages in Africa has been a subject of controversy, different scholars have varying explanations to the number of distinctive languages in Africa. While some put the number at around 2,000 others count more than 3,000. However, all of these languages originated in Africa.[6] The most widely spoken indigenous African language is Swahili, spoken by nearly 50 million Africans,[7] followed by Hausa, which by conservative estimate has more than 90 million speakers. There are other several languages with few thousand speakers. Scholars generally recognize four to five African language families: Niger-Congo, Afro-Asiatic, Nilo-Saharan, Khoisan and Astronesian, in which amongst each there are sub-divisions.[8] The people profess hundreds of distinctive traditional religions, including Islam and Christianity which came later from outside the continent.

Socio-economic and political background

Since its formation several centuries ago, the people have been very great in their socio-economic and political set up. The people have been engaging in a wide range of economic activities such as farming, fishing, trading, craft works and amongst others. They have engaged in both internal and external trade which gave rise to inter-group relations amongst the people. This means that despite the distortion caused by colonialists, African inter-group relations and trade can be reviewed. The people have also formed wide variety of states, with some being mega and some being mini, or what other scholars called large centralized and less centralized states. All these contradict the Eurocentric views which prevailed in the recent past that the people were barbaric, uncivilized, uncultured, and un-historic amongst other misleading comments. Great men cut across the continent that exhibited greatness in their style of leadership. In the pre colonial times for example, mention must be made of leaders like Mansa Musa of Mali, Mai Ali Ghaji of Borno, Shaka of Zulu land, Samouri Toure and host of others. In the colonial period, Africa was also opportune to have great leaders who vehemently fought against the seizure of their sovereignty as well as those that challenged the misrule of the colonialists in their respective states to the extent of taking bold decisions to outs the colonialists thereby regaining their independence at different periods.

Demography

Demographically, Africa has numerical strength. According to Encarta encyclopedia, Africa has a population of 936 million people in 2007, about 13 per cent of the world population. Amongst the most populous countries in Africa are; Nigeria, Egypt, Ethiopia and Democratic Republic of Congo. The density of Africa is put at 31 persons per square kilometer equivalent to 81 persons per square miles.[9]

Language

There are so many indigenous languages spoken in Africa which roughly correspond to the ethnic groups in the continent. But the official ones today are; English, French, Spanish, Portuguese, Arabic, Swahili. Interestingly, these are the official medium of expression in the former OAU and the new AU.[10] Although some languages like Hausa which is a not official language of the AU, but owing to the fact that it is increasingly becoming acceptable worldwide deserves inclusion in the official AU languages. Hausa has been receiving international recognition especially as it is used in broadcasting houses in Europe, the United States of America and Asia not to talk of Africa. Example of such foreign radio stations that broadcast in Hausa are the British Broadcasting Corporation (BBC), Voice of America (VOA), Radio Moscow Russia, Radio Peking China, Radio Japan, Radio Iran, Radio Iraq, etc...

Today there are 53 African countries which are members of the intergovernmental organization of the continent, the OAU established in May 25, 1963 which later metamorphosed into the AU in July 9, 2001,[11] except Morocco which withdrew its membership in 1984 as a result of a disagreement, and Mauritania which was suspended in 2008 following a coup d'état.[12]

The people of Africa are indigenous to the continent, although they register their presence in their different places of abode through successive waves of migrations since several centuries ago. However, several other peoples from outside the continent such as Asia and different Europeans nationals later came to settle in the midst of the indigenous Africans, such as the Arabs, and several European nationals, etc... With the coming of these new set of peoples the history of the peoples of Africa continued to be shaped up to date. The example of southern Africa here is very instructive.

Colonial experience

There was virtually no African country that did not witness colonial rule which was full of degradation, deprivation and exploitation of the people's resources, except Ethiopia and Liberia. But today none of the African countries is still under colonial rule; they have all regained their political independence. Apparently, almost all the African countries are not yet economically independent as they are still tied in one way or the other to the clutches of their former colonial states which indirectly control the affairs of the colonized states, especially in the running of their affairs.

AFRICA IN THE MODERN WORLD

The African Union

Since the attainment of political independence of African countries starting from mid 20^{th} century, the independence leaders realized the need to work towards providing the unity of the continent, the process that culminated in the formation of the Organization of African Unity (OAU) in May 25, 1963. It was meant to provide the unity and cooperation of the countries of Africa at all levels and other aspects of life. As the countries continued to regain their independence, the membership of the OAU continued to grow. The Organization of African Union (OAU) later metamorphosed into African Union (AU) in July 9, 2001, though it retained its predecessor's dedication to political and economic unity, it hope to take a broader mandate to provide for greater integration of member states and to realize the challenges of globalization.[13]

Regional Organizations

In addition to the former OAU and now the AU, there are yet other regional organizations which predate the new African Union. These are; the Arab Maghreb Union (UMA), the Common Market for East and Southern Africa (COMESA), the Community of Sahel Saharan states (CEN-SAD), the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Economic Community of West Africa States (ECOWAS), the Intergovernmental Authority on Development (IGAD) and the Southern African Development Community (SADC). The motive behind the formations of these regional organizations is amongst other things to integrate the economies of the various countries in each region with the hope of creating a common market, a common central bank and thus a common currency for the various regions. Thus they are regarded as Regional Economic Communities.[14]

African Economic Integration

From a wider perspective, and in line with the noble objectives of the AU in integrating the economies of the African countries through gradual process, these regional groupings are regarded to be intermediate stage, the climax of which will be the integration of African economies and the creation of a single market, single central bank and single currency for Africa. The Association of African Central Banks has in August 2003 envisaged the creation of African single Central bank and single Currency by the year 2021. The example of the European Union and its currency, the *Euro* no doubt served as the stimulating impulse for the African Union to think towards the introduction of a single currency for Africa. Another factor may not be unconnected with the desire of the African Union to counteract perceived economic and political weakness which is one of the many obstacles that may militate against achieving the aim of creating African uniform currency.

Thus the creation of a single currency will no doubt be of immense importance to Africa, as it will make the currency to be strong and internationally recognized, just as the dollar, pound and the euro are been held in high esteem. But this can never be achieved until all socio-economic bottlenecks are dealt with.

The number one obstacle is that of unity of purpose and total commitment. Africa, unlike Europe is a continent where a single polity alone has different ethnic groups and there are over 5000 ethnic groups in the 53 independent African countries of mainland Africa and the six major Islands.[15] This may seem as an obstacle to achieving African unity, but with the peoples willingness that unity can be achieved, for the continent to move forward. Other accompanying impediments facing Africa is the problem of poverty, diseases and sicknesses, conflicts and wars, and the near absence of infrastructures which are all the result of bad governance. The issue of bad governance in turn has been translating into corruption, embezzlement and misappropriation of fund among other things, which have slowed developments in Africa. If these obstacles can be surmounted, African leaders can decide to take a bold step towards the creation of a uniform currency.

Africa has come of age. Therefore, all the processes towards establishing a uniform currency should be revisited with a view to hasten the process. For example, the current plan to establish an African Economic Community (AEC) come 2023 should be revisited and probably the timetable be redrawn to a very close year, say 2015.

The leaders of the various regional groupings in the continent should come together and begin the bold decision. This is because the whole issue boils down on making sacrifice and the relinquishment of the existing regional structures for the sake of Africa. The EU example is very instrumental but Africa should surpass Europe in the establishment of strong unity and the integration of the African economies which will translate into the creation of a single market, single central bank and uniform currency for the continent. The European example should be a golden opportunity for Africa which it must utilize to move Africa forward, the process that will make the economies of Africa to be strong and even compete with the developed continents.

The New Partnership for African Development (NEPAD) which was launched in 2001 by the AU members[16] has also been at the forefront in working towards integrating the economies of African countries, through realizing its aims which amongst other things is improving economic policies. Nigerian Alhaji Bamanga Tukur, the executive president of the African Business Roundtable, an offshoot of the NEPAD Business Group has been very active in canvassing for the creation of a single currency for Africa. In his words:

> *The introduction of a common currency in Europe has made it possible for the international community to treat the European market as a bloc rather than view the potentials of each national market. He said the same advantages would accrue to Africa if a common currency were to be introduced.*[17]

There is no doubt that with the integration of African economies and the creation of a single currency, the African economy will be better off.

However, even when many have been echoing their voices on the need for a single currency for Africa, some critics believe that the possibilities of establishing a single currency in Africa may no be realistic. They believe that the economies of Africa are too diverse and far away from the kind of convergence that enabled European economies after a long process to move towards monetary union.

CURRENCY UNION: PROBLEMS AND SOLUTIONS

The fundamental questions in this section are how can we achieve a single currency amidst the problems of poverty, hunger, disunity, illiteracy and disease? How do we solve the problems of very little trade links amongst African countries, and how can we make different regional blocks to abandoned or rather reduce in a very significant scale the rate of attachment to their former colonial masters to what is absolutely necessary?

Poverty and related problems and solutions

Poverty, hunger, disunity, illiteracy and diseases in Africa are all products of bad governance. Government's provision of social services is a clear antidote to poverty, illiteracy and diseases. In Africa, targeting the poor is a good anti poverty approach but has always been difficult to implement. There is politics of poverty eradication. Governments normally make high policy pronouncements without congruent disposition in terms of implementation. This breeds disenchantment amongst the citizenry who are living a life of misery, with their leaders on the other hand living in increasing luxury and comfort acquired through political office holding. To achieve a sustainable transparent democratic transition and currency union there must be good governance in Africa.

Poor trade link and solution

Additional problem is that of very little trade links amongst African countries. The countries are not sufficiently aligned in economic matters. This is primarily because of the colonial attachment which still survives to date, making African countries specialists of primary commodities. These commodities are marketed for western industries in exchange for industrial output. Unfortunately, primary commodities attract low price in the world market making African countries in additional disadvantaged position. Theoretically, Onwioduokit[18] observed that uniform currency alone results to trade shift. The sharpen competition in the single market creates propitious condition for innovations and entrepreneurship and better access to production factors especially capital. However, supplement must be made with more trans-African road network, policy on free mobility of goods and people, regional specialization within Africa, and introduction of pro Africa development strategies.

Colonial attachment, different macroeconomic policy and solution

There is also the problem of colonial attachment. For example, the Francophone countries are much more attached to France in terms of economic policy than their fellow African countries. Some of the regional currencies in Africa are aligned to *Banque de* France which signaled uneasy breakaway. In addition, the Franc zones countries are more fiscally prudent, have lower fiscal deficits, higher state revenues, and subdued inflation compared with the Anglophone countries. So the effect of belonging to a single currency and central Bank committed to maintaining conservative monetary policies will be beneficial to profligate big spenders but will work to the disadvantage of the more conservative states. To solve this problem there should be a concerted effort to accelerate macroeconomic convergence, work towards common taxes, rules and regulations.

CURRENCY DESIGN: PROBLEMS AND SOLUTIONS

Africa being diverse in terms of people and culture as observed earlier means that there is a seeming problem of acceptable uniform currency design. Some regions may feel marginalized by not having their leaders inserted on the currency or by not honoring their historical achievements. How do we then arrive at an acceptable currency design? What language should be used to identify the currency? Whose pictures should be accepted for insertion into the currency? And what name and denominations should the currency have?

To provide answers to these questions it is pertinent to realize that Africa has had quite a number of great leaders since the pre-colonial through to the colonial and post-colonial periods as pointed out earlier on. Therefore, it is to be suggested that when it comes to designing the different denominations of the African single currency, each of the regions should come up with names, pictures and the period of rule of some of their great leaders/heroes who have contributed to the development of their respective regions to be inserted on the front side of the denominations.

Africa's heroes to be on the currency

Starting from East Africa there are people like Emperor Haile Selassie of Ethiopia who emancipated slaves, worked towards the creation of African Unity amongst other achievements. In North Africa there are people like Gamal Abul-Nasir of Egypt, whose activities helped in transforming Egypt into a republic when the monarchy was ousted and he (Nasir) became its first president in 1956 after an election. In West Africa there are people like Queen Amina of Zaria (Zazzau Kingdom), one of the few great women warriors in the world, and Sir Ahmadu Bello, who together with other nationalists like Dr. Nnamdi Azikiwe and Chief Awolowo fought for the attainment of Nigeria's independence. Still in this region there are people like Léopold Sédar Senghor of Senegal who was also a nationalist hero among others in the region. In Central Africa there are people like Patrice Lumumba of D. R, Congo, who became the first Prime Minister after the country achieved independence in 1960. In the Maghreb i.e. north west Africa, there are people like Abdal-Qadir of Algeria, who opposed French misnomer in his native country and also led attacks on the French occupiers leading to his imprisonment and exile to Syria,[19] and host of others that deserve to be inserted on the African currencies.

The insertion of the pictures of these African heroes apart from making the denominations have African outlook, it will at the same time serve as a way of immortalizing them as a result of their contributions to the independence of their respective states amongst other achievements.

African features to be on the currency

Similarly, just as we rightly pointed out earlier, Africa is a land of so many impressive physical features evenly distributed all over the continent. Physical features like rivers, lakes, mountains, rocks, falls, valleys, wetlands, deserts, etc..., deserve worthy attention. There are rivers like the Nile situated in Egypt, northeast Africa, which is the longest river in the world, the Congo River in central Africa, the Zambezi River in southern Africa, the Niger River in West Africa, the Benue River in Nigeria, and host of other rivers**.** There are lakes like the Lake Chad situated in between Chad and Nigeria, Lake Victoria, Malawi, Tanganyika in East Africa, etc... There are rocks like the famous Zuma rock in Nigeria, which is even inserted at the rear of the Nigerian 100 Naira note. There are mountains like the Kilimanjaro in Tanzania the highest mountain in Africa, Mount Kenya the second highest mountain in Africa amongst others. There is the Sahara, the largest desert in the world, which separates North Africa with the rest of the continent. All these and more should be inserted on the rear of the denominations.

Africa's works of Arts to be inserted on the currency

The people of the continent are also good in fine artistic works. For example, the Ife and Benin bronze heads, the Nok Terracotta sculptures of the Nok complex of central Nigerian area, the famous Groundnuts pyramids in Kano, the Egyptian pyramids, the Mukanda mask in central Africa, the Lydenburg heads in southern Africa, are worthy of mentioning among others in the other regions. Such works of Arts should also be inserted on the rear of the African currency.

Language inscription

In terms of languages to be written in describing the denominations on the African currencies, it is to be suggested that the official African Union (AU) languages of communication, which are; English, Arabic, French, Spanish, Portuguese and Swahili should be used. Although deserving inclusion is Hausa (or the Hausa-Ajami i.e. Hausa-Arabic inscription), which though is not official language of the AU but owing to its international recognition should be included. Apart from these, any other internationally recognized African languages should be used.

Implementation and currency denominations

African leaders should be optimistic and take a radical step towards the creation of a single currency for the betterment of their economies now that none of the Regional Economic Communities has succeeded in running a single currency for its respective regions. In the first instance, the African uniform currency should be in circulation concurrently with national currencies but the national currencies should be pegged in terms of values to the African currency. In the long run, there should be one single African currency. By then, African states should relinquish their national currencies, their central banks and their markets so that the long dream AU and other farsighted Africans will become a reality by having a common market, single Central bank and single currency for the continent. Africa can no longer wait. This proposed African single currency is to be named *Afro,*[20] so as to make it truly African. It is to be made of different denominations, like 1 *Afro*, 100 *Afro*, 1000 *Afro*, etc...

CONCLUSION

From the foregoing, currency union in Africa is practicable since it succeeded in other parts of the world and also in many regions of Africa. However, unlike Europe, Africa has unique socio-economic problems such as high level of poverty, little trade links amongst the countries, difference in terms of trade and diverse people and culture. Despite these problems, the example of Euro served as a stimulating impulse to Africa to work towards achieving a single currency. More importantly, the continent is richly endowed by nature, with enormous natural and human resources. The Continent has been a very historic continent since the earliest times. Prior to colonial rule African communities engaged in both internal and external trade, a situation that gave rise to inter-group relations amongst the people. This can be revived through uniform currency. Africa in the modern world succeeded in forming a union since 1963 which lead to the emergence of other regional groups mainly to achieve economic integration. The African Union remains the moving wheel for the attainment of Economic integration in Africa especially with the launching of the New Partnership for African Development (NEPAD) in 2001.

Africa being diverse in terms of economic orientation, external trade attachment, people and culture means that there are certain salient socio-economic problems to be addressed in order to achieve the uniform currency. These include good governance, expansion of more trans-African road network, free mobility of goods and people, Africa development strategies, and macro economic convergence. In addition, for the currency to be truly African, it must be designed to the acceptance of all regions so as to erase all fears of marginalization.

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19. Newman, *op. cit*
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‘AS GOOD AS GOLD’:

An African currency

By Cedric Muhammad, CM Cap Consulting

Contents

ABSTRACT

This article presents an analytical framework for consideration of the current African Union's effort to use Regional Economic Communities as building blocs of an African Monetary Union. Through the application of optimum currency area criteria, and a precise definition of floating, pegged and fixed monetary regimes, it is argued that key to making this effort successful will be the proper identification of three rather than five potential monetary unions, and the eventual linking of a single African currency to the most monetary of all commodities - gold. Existing efforts such as the West African Monetary Zone (WAMZ) are critiqued from a historical and forward-looking perspective, and a seven-year transition is outlined balancing national sovereignty with the greater goal of African economic convergence. The paper's premise is that until a single currency area is established, the continent will not enjoy economic sovereignty. The ideas in this paper, in part, reflect the author's unique engagement of the 1999 recipient of The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, Mr. Robert A. Mundell, over the question of the application of optimal currency area theory to the continent of Africa.

INTRODUCTION: THE COLONIAL ECONOMY, BUSINESS MONOPOLIES AND THE END OF THE GOLD STANDARD

> *"We are neither poor, nor are we kept poor, because we are black. We remain poor because of the world trading and monetary systems - and these, whatever their other disadvantages, are color-blind."*
>
> *Julius K. Nyere; June, 1974; University of Dar es Salaam*[1]

Kwame Nkrumah stated, "Ghana inherited a colonial economy… We cannot rest until we have demolished this miserable structure and raised in its place an edifice of economic stability, thus creating for ourselves a veritable paradise of abundance and satisfaction."[2]

What is a colonial economy?[3]

It is one where a country is 'independent' in name, but whose financial and business activities are ideologically, structurally, or institutionally dictated by unwelcome external forces.

By this definition, the independence movement has yet to fully deliver what Nkrumah envisioned with aspects of the 'colonial economy' continuing in virtually every part of Africa labeled as 'developing' or 'least developed.'

Such labels obscure basic facts regarding the *nature* of what is loosely collectively called 'Third World nation' collectively, or a 'less-developed country' (LDCs) or 'less advanced country' (LAC).

While LDCs are considered sovereign equals in places like the United Nations where one state, one vote guides affairs, such a naïve view of equality does not apply to the economic reality for Africa.

The true definition of 'less developed' has nothing to do with politics, ideology, or military power. An LDC[4] is a country that does not have the ability to produce all of the things it needs to survive, even at a relatively low level of subsistence. Of course self-sufficiency does not always equate to autarky (a country can be considered 'self-sufficient' if it can get what it needs in trade rather than relying on aid).

[Paradoxically, traditional village life is, above all, self-sufficient, while Western urbanization is not. Villagers have solved the problems of the necessities œ food, clothing, and shelter œ on a modest scale, without the assistance of lawyers, bankers, or state politics (although many have central governments). And they are not dependent upon, airplanes, trains, trucks or automobiles for their daily bread.]

LDCs do not have the 'carrying capacity' for bare existence and real growth in modern times. Therefore, they must be 'aided.' As a result, the biggest business in a less-developed country, and a primary reason for its governmental power structure, is import and export. LDCs aim to export enough to make payments on the interest on their national debt, with enough left over to pay for what they must import.

The government of such a country is a business monopoly over its people and its territory, motivated less by some political ideology than by pragmatic control of the import-export business. In most LDCs, customs activity and border patrol are the most important elements of government, enabling political leadership to maintain its monopoly and an accurate and essential account of everything exported and imported by the country.

LDC governments make money granting exclusive and monopolistic franchises to friends, relatives, and true financial and traditional leaders of national infrastructure, for everything from chewing gum to fighter jets.

These franchise holders, the 'ins,' are usually assured of becoming millionaires. Their franchises are obtained through contacts with select sources in countries and powers abroad. They cover all the essentials required by the populace; there is no other way to obtain foreign produced goods, including foodstuffs, which must be imported. The same franchise system applies to exports.

The 'outs,' are those who have been stripped of their franchises, usually as a result of a coup d'etat, in favor of the ruling group. The term 'political party' and the words 'communism,' 'socialism,' 'free market,' and 'democracy' rarely apply easily. The *outs* are definitely on the outside looking in and represent an ever-present danger to the *ins* through the possibility of coup d'etat. In most LDCs there are no meaningful campaigns and elections. The votes, if elections are held, are counted by the armed forces - an instrument of the *in* power group. Such controls leave *the outs* little alternative but coup d'etat for power transition.

In all LDCs, the difference between the *ins* and the *outs* has little, if anything, to do with political ideology. The scenario depicted by the major powers divides the world into 'Socialist-and-the West' camps, and more recently, or increasingly, 'Islamic Fundamentalism-and-the West.'

Often power centers external to the LDC keep the books and balances of the 'ins' and 'outs,' – making the transactions of the government's business monopoly possible by offering loans, providing aid, issuing letters of credit, collecting huge fees for their role in each transaction, and collecting the interest on the entire package. In many LDCs the total amount of interest paid to this external international financing structure - made up of other governments, multi-lateral institutions, and private concerns œ often amounts to more than half of the total value of export revenues. For this reason, annual payments are often only on the interest involved and not on the principal.

This narrative of the LDC has been the story of countries throughout the African continent.[5]

The role of African currencies plays a critical role in this narrative.

To unwind the legacy of the colonial economy and the improper use of government's business monopoly power gained after declaring independence; Africa in pursuit of a single currency, must master the lessons of the critical error made by the United States when it took the world off of the gold standard in August of 1971[6] at the very moment when African nations were seeking to establish the credibility of their currencies.

A standard is a concept of common agreement enabling people to communicate and organize themselves for the business of living. Language is the most basic of standards, like weights and measures. It wouldn't be possible to build any modern structure without a common understanding of an inch or a meter or a degree of angle. One set of standards has survived for thousands of years - latitudes and longitudes that pinpoint place on the planet. In every language and culture, East, West, North and South are the standards of terrestrial direction. Out of the billions of stars in the sky, the North Star, remains fixed in position. The one constant is *Polaris,* the brightest star in the constellation, 430 light years away from Earth. Without it six billion people on earth would be in a constant state of confusion.

This brings us to the monetary standard. For thousands of years, the reference point provided by gold has been the equivalent of the North Star[7] in the world of everyday commerce. When President Nixon in August 1971 made the decision to devalue the dollar against gold, to $42 from $35 per ounce, he made inevitable the general rise in prices throughout the earth. In 1973, Nixon - with gold now at $140 per ounce - "floated the dollar." This meant 'Polaris' would now drift in the sky. And because the dollar had supplanted Britain's pound sterling, when Nixon floated the dollar, all other currencies in the world set up larger or smaller orbits of change around it. The chaos produced by the floating dollar remains immense. As there would be more airplane crashes and ship wrecks if there were no North Star by which to navigate, the absence of a gold standard caused more financial crashes in the years since 1973 than the world has ever before experienced. In the absence of a monetary standard to fix the value of contracts between people, the linkages between debtors and creditors were loosened and so was the relationship between effort and reward. As the value of money would change, debtors would lose in a deflation, creditors would lose in inflation.

The rich and powerful could speculate on currency values, but the poor could not. The wealthy also might even use their influence with governments *to cause* inflationary and deflationary swings according to schedule.[8]

Changes in relative prices signal consumers, producers and investors to reallocate resources. But what are these changes "relative' to? With 1,000 goods and services to be delivered now and in the future, in the absence of choosing one yardstick, there would be 499,500 possible relative prices, as each commodity and service would be priced in relation to every other one. With one common yardstick, there would be 999 prices.

In Ibn Khaldun's magnum opus *The Muqaddimah: An Introduction to History*, translated from the Arabic by Frantz Rosenthal and edited and abridged by N.J. Dawood we read, "Furthermore, God created the two minerals, gold and silver, as the measure of value for all capital accumulations. These the inhabitants of the world, by preference, consider treasure and property. Even if, under certain circumstances other things are acquired, it is only for the purpose of ultimately obtaining (gold and silver). All other things are subject to market fluctuations, from which (gold and silver) are exempt. They are the basis of profit, property, and treasure."

Similar calculation holds true for exchange rates. The fact that we live today in a world without a solid yardstick explains the derivative business in the trillions, most of these derivatives representing trading for price ranges.[9]

In short, the removal of the dollar-gold 'yard stick' has contributed to everything from Africa's currency crises to the current financial panic associated with mortgage backed securities, collateralized debt obligations and credit default swaps.[10]

Few in political circles have realized the impact of the events of 1973.[11] An exception is former U.S. Congressman Andrew Young.

In his book *A Way out of No Way* Young writes:

The assassination of so many political and social leaders in the 1960s who were critical of America's vision of itself probably set back the cause of freedom at least twenty years. The Nixon administration institutionalized these setbacks through the appointment of conservative judges, the shift of expenditures to the defense industry, and perhaps worst of all, by abandoning America's leadership role in the world economy by repudiating the post-war Bretton Woods Agreements. Let me digress a moment and look at the Bretton Woods Agreements more closely-an agreement which had provided economic stability for the post-war world for twenty-five years.

Bretton Woods had provided a stable currency for the world which was pegged to the dollar, *reasonable interest rates that encouraged development through public and private investment*, and free access to technology and markets. From 1945 to 1973, the world grew and prospered under *cooperative American leadership, which led with a strong dollar backed by gold*.

One of my first congressional hearings was as a member of the Banking Sub-committee on International Finance, where in 1973 the Nixon Administration appeared en masse to advocate the end of U.S.-backed stability for the world monetary system. No one knew quite why. The arguments seemed based more on economic theories than practical evidence.

But George Schultz, Secretary of the Treasury, Paul Volker, then Assistant Secretary for International Monetary Affairs, and Arthur Burns, Chairman of the Federal Reserve Bank all said that they agreed on this course of action or, really, inaction. Twenty years later, Paul Volker, in his book *Changing Fortunes*, admitted that all of these distinguished men had grave reservations about their recommendation at the time, but they were going along with the new administration's position. I questioned them, and as the lowest-ranking member of the Committee, admittedly did not understand the meaning and implications of their actions. But without some strong agreement and leadership, *it seemed that politics would increasingly influence currencies and prices.*

Less than six months after this decision was taken, the Organization of Petroleum Exporting Countries (OPEC) was formed, the price of oil went from $3.50 per barrel to eventual highs of $50.00, and a major shift in our nation's economic fortunes began.

One of the greatest shifts in wealth in the history of the planet was about to occur, and the global economy went from a situation of gradual stable growth for twenty-five years under U.S. leadership, vision, and sacrifice, to the current economic roller coaster which had led to worldwide anxiety, economic stagnation, and joblessness.

This matter has never received sufficient attention and discussion. The press and the Congress got caught up in the Watergate scandal, and thanks again to the spirit moving across the South, southern Democrats were freed to vote their conscience, confident of their new protection from black voters in the coming elections.

Nixon was maligned and forced to resign because of the Watergate break-in scandal. But the greatest damage he did to the nation and to the world and his greatest crime may have been the abdication of American global leadership and financial vision.[12]

African nations were defenseless, unaware their power to control the business monopoly of their baby governments was no match for a world of floating exchange rates.[13] It would only be through the re-integration of African nations that they would have a fair chance competing in a global economy dominated by multilateral institutions that would integrate the world through trade and fiscal policy while advocating monetary disintegration in the non-Western world (all while calls for a united European Common Market gained steam).

Once the problem of currency stability is solved, the African can fulfill Kwame Nkrumah's famous words of five decades ago "This decade is the decade of African Independence. Forward then, to independence - to independence now. Tomorrow, the United States of Africa!"

A SINGLE CURRENCY AND AN OPTIMAL APPROACH TOWARD IT

We first must establish that the continent of Africa is *a geographical area best served by the use of a single currency*, and then offer an optimal approach toward achieving it.

A definitive starting point for any discussion regarding a single continental currency for Africa is Robert Mundell's, ―A Theory of Optimum Currency Areas" published in 1961, in the *American Economic Review*, and ―Updating The Agenda For Monetary Union," presented December 1996 at the Tel Aviv Conference On Optimum Currency Areas.

The optimum currency area thesis is a series of key insights that determine whether countries and/or regions should pursue a single currency.

Those key factors are:

- labor and capital are highly mobile across regions and countries
- factors of production and prices of goods and services are flexible,

- sufficient product diversification (economies not dependent upon a single industry)
- industrial structures are similar (countries with similar industrial structures are better candidates because they are affected similarly by shocks that are sector specific)
- a dynamic process to support regions which would be initially adversely affected by a transition to a single currency area
- GDP and trade volume within the prospective currency area are fairly large
- foreign exchange markets are not so thin that single speculators, (perhaps excepting central banks) could strongly affect the market price of the single currency.

According to Mundell, there are five additional elements necessary to begin the movement toward the formation of a monetary union:

- a common policy target (which could be an inflation target)
- a common measure of inflation (which could be an index)
- locked exchange rates
- common monetary policy
- a method for determining how seigniorage (the profit generated from issuing currency) is shared among currency area members

There are very important reasons and circumstances for a country *not* to join a currency area.

Here's a list:

1. it wants an inflation rate different from the currency area rate;
2. it wants to use the exchange rate as an instrument of employment policy to lower or raise wages;
3. it wants to use the exchange rate as a 'beggar-thy-neighbour' instrument to capture employment from other countries;
4. as a large country, it does not want an unfriendly country to benefit from the economies-of-size advantages of the large currency area, or because it fears that the addition of another currency will complicate national macroeconomic policy making;
5. it wants to use the money-expansion or inflation tax to finance government spending, and it would be prevented from doing so to the extent desired by the discipline of fixed exchange rates;
6. the country œ especially if it is large œ does not want to sacrifice seigniorage from the use of its money as an international means of payment;
7. the government wants to use seigniorage as a source of hidden or off-budget funding for personal use by members of a corrupt dictatorship or naïve democratic government'
8. a regime of fixed exchange rates could conflict with the required policies of a central bank that had a constitutional mandate to preserve price stability;
9. monetary integration with one or more other countries would remove a dimension of national sovereignty that is a vital symbol of national independence;
10. it wants to optimize the currency denominations appropriate to its per capita income (which would be relevant only in the case of currency unions, not fixed rates);
11. it wants to maintain monetary independence to use the money-expansion or inflation tax in the event of war;
12. it wants to protect the secrecy of its statistics, as when the Soviet Union opted out of the IMF and forced its European satellites to do the same;
13. there is no domestic political and economic leadership capable of maintaining a fixed exchange rate system in equilibrium;
14. the political authorities cannot achieve budget balance and/or establish confidence in the permanence of budgetary equilibrium or the

viability of fixed exchange rates;

15. the partners in the prospective currency area are politically unstable or prone to invasion by aggressor countries;
16. the partner countries are poorer and will expect, aid, "equalization payments,' or otherwise an unduly large proportion of the optimum currency area's expenditures; and
17. it does not want to accept the degree of integration implied by the optimum currency area agreement, such as common standards, immigration, labor, or tax legislation.

Now, also drawn from Robert Mundell's seminal presentations - the reasons a nation *should* join a monetary union:

1. to gain the inflation rate of the currency area;
2. to reduce the transaction costs in trade with a major partner;
3. to eliminate the cost of printing and maintaining a separate national currency;
4. to participate in a purchasing power parity area, which would be fostered by fixed exchange rates and even more by monetary union
5. to establish an anchor for policy, a fixed point around which expectations can be formulated and policies can revolve;
6. to remove discretion from monetary and fiscal policy authorities;
7. to keep the exchange rate from being kicked around as a political football by vested interests that want depreciation to boost profits or to bail out debtors;
8. to establish an automatic mechanism to enforce monetary and fiscal discipline;
9. to have a multinational cushion against shocks;
10. to participate more fully and on more equal terms in the financial center and capital market of the union;
11. to provide a catalyst for political alliance or integration;
12. to establish a power bloc as a countervailing influence against the domination of neighboring powers;
13. to share in the political decision of determining the currency area's inflation rate;
14. to establish a competing international currency as a rival to the U.S. dollar and earn seigniorage that currently accrues from local people holding dollars;
15. to reinforce or establish an economic power bloc that will have more clout in international economic discussions and have greater power to improve, by its trade policy, its terms of trade;
16. to delegate to a mechanism outside the domestic political process the enforcement of monetary and fiscal discipline; and
17. to participate in restoring a reformed world monetary system.

Africa: An Optimum Currency Area?

To the best of my knowledge I was the first individual, since the early 1970s,[14] to publicly question the father of the optimum currency area analytical framework – Robert Mundell – about its application to Africa as a single currency area. In a November 8, 2000 IMF Economic Forum "One World, One Currency: Destination or Delusion?" moderated by Alexander Swoboda, Senior Policy Advisor in the IMF's Research Department, I, as 'QUESTIONER' asked:

QUESTIONER: This question is for Professor Mundell. In your opinion, does Africa have the necessary qualifications to qualify for what you call an "optimum currency area"?

MR. SWOBODA: Thank you.

Maybe we'll ask Professor Mundell to answer that first, and then we'll go back to the one minute per speaker.

MR. MUNDELL: Which--all of Africa?

MR. SWOBODA: All of Africa.

MR. MUNDELL: Well, in my African days--in 1970, I toured Africa and did a study for the UN in Addis Ababa of the effects of currency devaluation, particularly the British and French devaluations, on African countries. In that process, I argued that it would be a very good idea if Africa did have a common currency. Now, this is 30 years ago, and this is in 1970, when the world had a system of fixed exchange rates, and it wouldn't have been nearly so hard. Remember, when you've got a world of fixed exchange rates, it's easy to create a common currency. You don't have big convergence conditions that are hard to cope with as Europe had, because countries are already converged through their fixed exchange rates; they have a common inflation rate and they have common interest rates, as Europe did up until 1971.

So if Europe had created its common currency and had gone about doing it in 1969 or 1970, it would have been far easier than it was to do it in the 1990s, when all currencies were floating.

But the big issue for Africa--and this could be also for Asia; does Asia need a common currency? Does Latin America need a common currency? Does Africa need a common currency?--the big issue is how to arrange for the anchor of it. It would have to use an anchor, because there is no dominant power in Africa with a dominant economy. It wouldn't be an African-produced anchor. It would have to use maybe a basket of the three G-3 currencies as the anchor and then form some kind of monetary grouping around that.

QUESTIONER: What about gold?

MR. MUNDELL: I am a great enthusiast of using gold, but a quarter of the world's stock of gold above ground is in central banks, and if central banks have the idea that they are going to sell it and buy it, they can destabilize gold, and this could create a lot of problems. So gold itself wouldn't be as appropriate as an anchor to the three major currencies unless there is some way of relating gold to those other currencies.[15]

Professor Mundell conditionally sees Africa as a currency area, suggesting a scenario, in response to a monetary regime – a gold standard – presented by this author.

Those conditions, scenario and suggested monetary regime are largely the focus of the remainder of this article.

FROM REGIONAL INTEGRATION TO AN AFRICAN SINGLE CURRENCY

A Historical Basis or Regional Integration

Africa's history, in pre-colonial, colonial, and post-colonial times, provides a basis for regionalism as a path for currency convergence.

Ancient Egyptian civilizations[16] and sub-Saharan Africa were marked by economic activity involving coinage and banking well before the European presence on the continent. Gold was used as currency in West Africa[17] and as far back as the 700s, economic activity revolving around money can be found in the history of West Africa, where cowries, small sea shells, were utilized in transactions as a means of exchange.

When European colonialism divided the continent, existing monetary systems involving salt and cowries, for instance, were overcome and replaced by the monies favored by bureaucrats, soldiers, and traders. Eventually transactions in Africa were conducted via the Indian rupee, British sterling, French franc and U.S. dollar.

A popular monetary regime establishing regional economic blocs was the currency board system which fixed the exchange rate between a local currency in Africa with an external currency. The West African Currency Board opened in 1913 servicing Gambia, Ghana, Nigeria, and Sierra Leone, tying the West African pound with the pound sterling. The West African Currency Board's success made it a model for the East African Currency Board which serviced Kenya, Uganda, Tanzania, the British part of Somalia; and the Southern Rhodesian (later Central African Currency Board servicing Zimbabwe, Zambia and Malawi). Eventually, currency boards touched Libya, and the Italian part of Somalia.

These currencies and associated banks established regional economic integration between colonies and the power that ruled them.

From a purely monetary standpoint, colonialism had a mixed impact. By imposing its currencies, banking, and regulatory systems on an artificially divided Africa, the colonial powers interfered with the equilibrium and symmetry of the pre-colonial horizontal economic integration of Africa.

Benefits included relative stable currencies with low inflation and integration of Africa with international financial markets.

This mixed legacy is a critical factor that must be weighed in the effort to use current regional economic groupings as the basis for convergence.

The ideology of the independence movement, advice from English-speaking economists, IMF and World Bank pressures, and the prevailing dogma in international academic circles all resulted in independent central banks instituted across the continent - a break with regional monetary regimes.

In 1958 the West African Currency Board began to break up. Nigeria opened a central bank in 1959. Sierra Leone established a central bank in 1964, and Gambia opened a central bank in 1971.

In 1964 central banks were set up in Zambia and Malawi. And in 1966 Kenya, Tanzania, and Uganda opened central banks.[18]

Other African countries that had currency boards replaced them soon afterwards. In 1964 central banks were set up in Zambia and Malawi. And in 1966 Kenya, Tanzania, and Uganda opened central banks.[19] Today, currency boards exist in Africa only in the tiny British colony of St. Helena (linked to the British pound) and, in modified form, in Djibouti (linked to the U.S. dollar).

While the political objectives of the independence movement were laudable, the era that has followed, has disappointed. An era of inflation and even hyper-inflation has persisted, in large part because of improper monetary and exchange rate policy coming from "independent' central banks. Examples can be found in Zaire - which had the highest inflation rate ever recorded in *International Financial Statistics* (1993-1994) and in Zimbabwe, slated to issue a $1 million note in November 2008, with an official inflation rate of 230 million percent.

Africa's Existing Regional Monetary Unions and Regional Economic Communities (RECs)

Of the post-Independence efforts at monetary union, Western Africa has taken the firmest steps.

The Heads of States of six countries in West Africa, decided in Accra, Ghana, April 20, 2000 to establish a second monetary zone to be known as the West African Monetary Zone (WAMZ) by the year 2003. The Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone signed the 'Accra Declaration' defining the objectives of the zone as well as an action plan and institutional arrangements to ensure the speedy implementation of their decision. It was envisaged that this zone would be merged with the CFA Franc Zone to form a single monetary zone in West Africa by January 2004. The transition to monetary union is managed by the West African Monetary Institute (WAMI), which received its mandate on December 15, 2000 and began operations in January 2001.

Obviously, the union has not yet happened. In May 2005, the countries of the zone issued the "Banjul Declaration of the Commencement of The WAMZ Monetary Union by December 1, 2009."

What caused the delay?

The noble effort was admittedly rushed, with key factors not initially (and still not) properly taken into account. The monetary policy rules of the future West African Central Bank were not clear.

The subject of monetary policy is allotted but one sentence in the WAMI's mandate: "The Institute will pursue appropriate monetary policy to ensure price stability and sustained economic growth in these countries as part of the overall ECOWAS integration effort. "It is unclear, therefore, whether the new monetary union will pursue a quantity target (growth of a specified monetary aggregate), an inflation target, an exchange rate target, or some combination.

Price stability can be measured in two ways: the rate of consumer price inflation - a measure of internal value - and the behavior of the exchange rate - a measure of external value. On these matters as well, the member states have had a poor record since establishing central banking. These data are presented in Table 2.

Table 2: WAMI currencies have been poor stores of value

Country	Currency	Central bank established	Floating exchange rate began	Cummulative inflation under central bank (%)	Cumulative depreciation of exchange rate under central banking
The Gambia	Dallasi	1971	1986	1,894	9 x
Ghana	Cedi	1957	1987 - 88	2,159,688	10,547 x
Guinea	Franc	1960	1991	NA	83 x
Liberia	Dollar	1974	1986	NA	43 x
Nigeria	Naira	1958	1992	58,223	167 x
Sierra Leone	Leone	1961	1991	1,207,408	2,765 x

Note: The depreciation of the Liberian dollar is based on a figure for end-2000. The others are calculated against the value as of Februray 6, 2002. All exchange rate depreciation is expressed as a factor, calculated vis-à-vis the US dollar. Cumulative inflation is through the end of 2000.

Source:

International Finance Statistics, World Currency Yearbook, www.cando.com, and author's calculations.

The data reveals that all WAMI countries have failed to issue currencies that are reliable stores of value. Admittedly, no currency is perfect; in the United States, consumer prices have risen some 600 percent since 1957, when the Bank of Ghana began operating, and the dollar, over that same time period, has depreciated from $35 to the current level of over $700 per troy ounce of gold. But with histories like these, can anyone expect the currency issued by the new West African Central Bank to be any better than the *cedi*, the *naira* or the *leone* have been?

These countries cannot escape their histories by simply creating a larger institution.

But assume that the slate is clean and the member countries simply concentrate on meeting their EMU-style convergence criteria:

- A floor on foreign exchange reserves of at least three months of imports by 2000 and six months by 2003;
- A ceiling on central bank financing of budget deficits to 10% of the previous year's tax revenue;
- A limit of the annual inflation rate to a single digit in 2000 and 5% by 2003; and
- A restriction of the budget deficit to GDP ratio of no more than 5% in 2000 and 4% by 2002.

The most problematic of these criteria was the floor under net foreign assets. Absent a strong inflow of foreign investment, a grant of foreign exchange from the government, or a nearly miraculous increase in exports, it is unclear how the central banks will augment their foreign exchange reserves. While foreign currency holdings may increase seasonally, those seasonal increases will be drawn down again as the season's proceeds are used to pay for imports, providing no net gain. The central banks could address this by making exports of foreign exchange illegal, but this would violate contracts and earn the banks little credibility.

Alternatively, the central banks could sell their domestic currencies on the open market to buy foreign currency. This would put downward pressure on the exchange rate and upward pressure on inflation, compromising the inflation target included in the convergence criteria.

And this does not even take into account the impossibility of simultaneously pursuing a domestic monetary policy of "disinflation" (that is, lowering inflation rates) while managing fixed exchange rates vis-à-vis the other countries within the zone. The dual pursuit of a monetary policy and an exchange rate policy amounts to a pegged exchange rate regime, much like those that have failed West African countries in the past, and, more recently, countries like Thailand, Indonesia, Russia, Brazil, and Turkey.

The above are only some of the factors that contributed to the WAMZ Monetary Union being five years off track.[20]

Transitional Stage: The Case for Three Currency Areas in Africa

Exactly which *kind* of regional groupings constitute the best path toward convergence into monetary unions and finally a single currency? There are presently too many overlapping regional groupings with uncoordinated activities toward the integration of trade, fiscal and monetary policy on the continent. And until those efforts are unified and addressed, certain elements that would make Africa an optimum currency area can't be achieved.

A promising step toward addressing the situation was recently taken at the October 22, 2008 first joint meeting of the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC). These regional communities comprise 26 countries with a combined population of 527 million people, a combined gross domestic product (GDP) of US$624 billion and a GDP per capita averaging US$1,184.[21]

The EAC alone does not meet the optimum currency area criteria, and current efforts to form its monetary union languish as the currencies of Kenya, Tanzania and Uganda depreciate against the U.S. dollar. As currency dealers and institutional investors with accounts denominated in Kenyan shilling are purchasing dollars and selling shillings, Kenya's currency falls, and with it, those of the other EAC countries œ revealing that the region fails to meet the optimum currency area criterion that *the foreign exchange markets must not be so thin that any single speculator can strongly affect the market price of the single currency*. With insufficient credibility and dollar reserves to ward off speculators, finance officials are reduced to public statements against speculation and exchange controls.

The EAC also fails to meet two other criteria: *insufficient product diversification* and *lack of similarity in industrial structures*. All three countries are too dependent on too few products, while maintaining significant dissimilarity in their export industry composition, with tea and horticulture dominating in Kenya; gold and tobacco in Tanzania; and coffee and fish in Uganda. The result is an asymmetric weakening against the dollar, with Uganda suffering the worst.[22] Scholars have found little empirical evidence to support the notion of the EAC as an optimum currency area.[23]

If the EAC, is to form a viable monetary union by 2012, as its Heads of State announced at a August, 2007 Summit[24] it will only be possible through combining its efforts with SADC and COMESA.

As decided at the 26th ordinary Session of the OAU in 1976, included in the *Strategic Plan Of The Commission Of The African Union; Volume 2: 2004 œ 2007 Strategic Framework of the Commission of the African Union*, the regions of the continent wide are five œ Northern, Western, Central, Eastern and Southern.

The Strategic Plan states: "In the medium term, that is between 2007 and 2015, the emergence of virile Regional Communities would pave the way for the development of far-reaching inter-regional cooperation, speed up harmonization of their policies and programmes and completely remove all barriers to integration."

Currently, it appears that all five regions of Africa by themselves *do not* constitute optimum currency areas. Three areas do seem a possibility: Northern Africa, Western and Central Africa, and a combination of Southern and Eastern Africa.

But obstacles must be overcome.

In Northern Africa, the Arab Maghreb Union must iron out its internal differences and expand to include Egypt (an effort which last had major support in 1999), confronting the problem as described by Muammar Gadhafi, "We in the Arab Maghreb Union have been in the freezer for the past 10 years. The Arab Maghreb Union has not convened in the past decade. I am the head of the Arab Maghreb Union, which has been suspended, because we in the Maghreb are not in agreement. We have problems. We have not done anything together, and we are incapable of forming a union. We have been trying for 40 years to form a union between Libya and Egypt, and between Libya and Tunisia, but it did not happen. The Arabs have not formed an Arab union. The Maghreb countries formed a union and stuck it in the freezer. We have not convened for 10 years."[25]

In Western Africa, the effort to establish the WAMZ must succeed to merge the former British colonies and the CFA franc nations and completely incorporate the Economic Community of West African States (ECOWAS).

In Eastern, Central, and Southern Africa, the nations that are members of COMESA, SADC and the EAC, but *not* ECOWAS, the CFA franc zone or Arab Maghreb Union, *could* comprise another currency area. But if ongoing regional monetary union efforts and additional considerations such as language are a consideration it appears that the CFA franc zone and Customs and Economic Union Of Central Africa (CEMAC) nations are better suited in a union with Western Africa than they would be tied to Southern and Eastern Africa.

Due to the probability that a Central Region and an Eastern region are too small to stand alone and survive an attack by speculators on their currencies, and because of their respective compatibility with ongoing regional efforts in other regions - Western and Southern -the optimal number of transitional currency areas in Africa is three and not five.

Those three are areas are:

- a Northern region (Maghreb Union nations plus Egypt)
- a Western/Central region (ECOWAS/CFA Franc zone/ CEMAC nations), and
- a Southern-Eastern region (SADC/EAC nations).

With some rough idea of those regions best constituting transitional currency areas, the question remains as to the proper monetary regime to be utilized.

A Necessary Fundamental Debate: What Kind of Exchange Rate Regime?

This paper clearly argues on behalf of fixed exchange rates, and specifically a gold standard, for an African single currency.

But a broad and robust debate over the type of monetary regime best suited for Africa is essential for consensus-building and popularization of a single currency.

A historical and analytical review of African monetary regimes, according to their experience with fixed, pegged, and floating exchange rates œ and a dialogue regarding them - can contribute to an important consensus across civic, cultural, religious, political, and economic organizations and communities.

Therefore the development of a taxonomy (the science of classification according to a pre-determined system, with the resulting catalog used to provide a conceptual framework for discussion, analysis, or information retrieval) of monetary regimes, among the First Congress Of African Economists is critical.

Precise definitions of various currency management systems will greatly facilitate the decision-making of economists, policy makers, opinion leaders, and the masses.

An exemplary taxonomy of exchange rate regimes was provided œ in written testimony before the International Financial Institution Advisory Commission in Washington D.C. on January 3, 2000 - by Johns Hopkins University Professor of Applied Economics, Dr. Steve H. Hanke.

His insights are instructive.

Essentially, Dr. Hanke argues that there are three types of exchange rate regimes: floating, fixed and pegged rates.

Each has different characteristics generating different results. Although floating and fixed rates appear to be dissimilar, they're members of the same family. With a floating rate, a monetary authority sets a monetary policy, but has no exchange-rate policy œ the exchange rate is on autopilot. In consequence, the monetary base only contains a domestic component, determined by a monetary authority. Whereas, with a fixed rate, a monetary authority sets the exchange rate, but has no monetary policy œ monetary policy is on autopilot. In consequence, under a fixed-rate regime, the monetary base only contains a foreign component, determined by the balance of payments. In other words, when a country's official net foreign reserves increase, its monetary base increases and vice versa. With both of these exchange-rate mechanisms, there cannot be conflicts between exchange-rate and monetary policies, and consequently, balance of payments crises cannot occur. Indeed, under floating and fixed-rate regimes, market forces act to automatically rebalance financial flows and avert balance of payment crises.

Fixed and pegged rates appear similar but are fundamentally different, Mr. Hanke stresses. Pegged rates require a monetary authority to manage *both* the exchange rate and monetary policy. Unlike floating and fixed rates, pegged rates result in conflicts between exchange rate and monetary policies. For example, when capital inflows become 'excessive' under a pegged system, a monetary authority often attempts to sterilize the ensuing increase in the foreign component of the monetary base by reducing the domestic component of the monetary base. As outflows become 'excessive,' an authority attempts to offset the decrease in the foreign component of the base with an increase in the domestic component of the monetary base. Balance of payments crises erupt as a monetary authority begins to offset more and more of the reduction in the foreign component of the monetary base with domestically created base money. When this occurs, it's only a matter of time before currency speculators spot the contradictions between exchange rate and monetary policies and force a devaluation.

While both floating and fixed-rate regimes are equally desirable in principle, it must be stressed that floating rates, unlike fixed rates, do not perform well in LDCs because these countries usually lack a strong rule of law, have weak monetary authorities and histories of monetary instability. In consequence, monetary authorities in 'LDCs' have great difficulty in imposing rules that control the growth in the base money.[26]

Of course, in light of the mismanagement of the U.S. dollar by the Federal Reserve and U.S. Treasury Department, it should be stressed that monetary blunders are not exclusive to LDCs.

This paper puts forth the position that a fixed exchange rate regime is best suited for a single African currency.

A WORKABLE APPROACH FROM 2009 TO 2015

Presently, no single national or regional in Africa is strong enough to anchor a continent-wide monetary union.

That could change if three major currency areas formed, each functioning similar to the currency board system, but without the immediate loss of individual national currencies – for which there does not appear to exist political will.

In keeping with the African Union's approach which views the current year to 2015 as a transition period establishing virile regional communities, these steps could be taken over the intervening 7 years:

- Three regions would establish a monetary authority.
- Each regional monetary authority would issue its own currency, which would serve as an anchor to its member nations.
- The government of each member nation in a regional monetary union would be permitted to keep its own currency in circulation equal to or on par with the anchor currency, as long as the local authority did not give the impression that it was seeking to displace the regional currency (in exactly the same way that the Scottish pound has been able

to circulate since the Act of Union for almost three centuries with the British pound).[27] For example, Zimbabwe could fix its currency to the new Southern Region currency at, say, 10 Zimbabwe dollars to 1 unit of the Southern regional currency. This would give it a decimal relationship similar that of the U.S. dime to the U.S. dollar.[28]

- Each day, or week, the balance sheet of assets and liabilities of the regional and local monetary authority should be presented side-by-side to the public, so that the citizenry, consumers and producers are aware of the supply of the regional currency as well as the supply of the local currency. This would increase trust, and dispel any suspicions of money supply manipulation.
- The regional monetary authority would tie its currency to a basket of its major trading partners and to the currencies in which the region owes the most external debt. A currency basket is a selected group of currencies whose weighted average is used as a measure of the value or the amount of an obligation. Its composition and weighting depends on its purpose. For example, the regional currency that would circulate in the southern region would perhaps be a basket of the euro, dollar and yen, perhaps weighted 40% euro, 35% U.S. dollar and 25% Japanese yen. The northern region's currency could be tied to a currency basket made up of 50% euro, 30% Chinese yuan [if convertible], and 20% dollar). The regional monetary authority would transparently establish a fixed exchange rate to the basket, and readjust at pre-determined times.
- To guard against a deterioration of the regional currency, as measured by a leading indicator such as the price of gold, the regional monetary authority could contain a rule that contains very specific terms for switching to a new anchor currency, provided it was one of the other two major African currencies. For example, if the regional currency price of gold were to increase or decrease significantly, and remain at that level for over a year, the law would allow for a switch to another African currency as a new anchor. The new reserve currency would, of course, have to perform better than the old, along the same criteria, in order to assume and maintain the anchor currency position. This provision would also compel competition among the three major African currencies.

After 4 years, the local currencies could be removed from circulation and the regional currencies irrevocably locked into a three-currency monetary union. Whichever of the three represented the biggest currency area in terms of GDP would be the core country of the union and the other two regions would fix their currencies to this core currency. For example, if the currency area including Western region was the largest œ its currency – say it was called the *eco*, would be the currency that the other two would fix themselves to. So, we might see 3 *mandelas* (the currency of the area including the Southern region) equal to 1 *eco* while 5 *nassers* (the currency including the Northern region) equal 1 *eco*.

After three years œ by the year 2015 – all of the national and regional currencies would be removed from circulation and there would exist one single African currency perhaps called *union*, which would be legal tender across the continent.

The *union* could either remain tied to a basket of international currencies or fixed to gold at a specific price of gold, say, 4500 *unions* per ounce of gold.

THE AFRICAN CENTRAL BANK (ACB) UNDER A GOLD STANDARD

By targeting only one price, the ACB can maintain price stability. The gold price could be maintained in terms of paper *unions* as longs as the sole purpose of Africa's monetary authority was the maintenance of the unit of account. The ACB simply offers to buy and sell gold for *unions* at a specified ratio, 4500 *unions* an ounce, and by settling accounts every day – satisfying demand for *unions* or gold œ there is no error accumulating in the system, no *union* surplus or deficit, no inflation or deflation. The ACB would offer to buy at somewhat less than the official price, 4450 *unions*, and sell at somewhat more, 4550 *unions*, and the private gold market would continue to operate within those gold price points.

The ACB's monetary instruments effectively discourage the gold price from hitting the price points. The ACB would simply expand money to stop a persistent gold inflow, or slow the growth of money to stop a persistent gold outflow. If the price falls toward 4450 *unions*, this signals a surplus of gold relative to *unions* in the market, and the government must buy bonds with cash, injecting *unions* into the market to alter the *union*-gold ratio. As the price approaches 4550, it signals a surplus of *unions* relative to gold, and the ACB must sell bonds to mop up cash in order to adjust the ratio. The ACB can also use other instruments to influence the *union*-gold ratio, buying or selling foreign exchange thus increasing the *union* supply relative to demand; raising or lowering its discount rate; or altering the reserve requirements banks must hold. All four instruments must be harmonized.[29]

COULD AN AFRICAN GOLD STANDARD SURVIVE?

> *"The gold colour stands for African wealth and bright future"[30]*
>
> *Description of the Flag of the AU*

It has been previously noted that Nobel laureate Robert Mundell discussed how Africa has no African-produced anchor currency. The previous section offers an approach to such an "African produced" anchor currency, utilizing a basket of currencies as Mundell himself suggested.

However, although Mundell was sympathetic to the idea that gold might back an African monetary union, he feared the price of gold could be destabilized by the world's central banks.

Our position is not naïve. In order for Africa to survive any effort to attack its single currency or to destabilize the price of gold, it must have enough resources in an African Central Bank, *and* allies, to defend its currency.

Combining the current foreign exchange and gold holdings of major African central banks, a significant measure of strength begins to emerge œ Algeria with $110 billion; Libya near $80 billion; Nigeria with foreign currency reserves of near $60 billion; South Africa with over $30 billion; Egypt with $35 billion to start.[31]

South Africa has traditionally been the world's largest producer of gold. Although production is currently far from the 1,000 metric tons produced by the country in 1970, and the 759 metric tons of 1974,[32] South Africa produced 272 metric tons, only 4 metric tons less than the new world leader China in 2007.[33]

By comparison, the total holdings of gold in the world by central banks – the source Professor Mundell feared could destabilize the gold price – are, according to December 2007 IMF statistics:

Country	Tonnes	Gold's % share of reserves**	Country	Tonnes	Gold's % share of reserves**
1 United States	8,133.5	75.3%	**51 Ukraine**	25.7	1.8%
2 Germany	3,417.4	62.9%	**52 Morocco**	22.0	2.0%
3 IMF	3,217.3	(1)	**53 Nigeria**	21.4	1.0%
4 France	2,622.3	52.6%	**54 Belarus**	20.1	16.7%
5 Italy	2,451.8	64.8%	**55 Cyprus**	14.5	5.4%
6 Switzerland	1,166.3	37.7%	**56 Korea**	14.3	0.1%
7 Japan	765.2	1.8%	**57 Brazil**	13.7	0.2%
8 Netherlands	624.5	57.6%	**58 Czech Republic**	13.3	0.9%
9 ECB	604.7	23.4%	**59 Neths Antilles**	13.1	32.7%
10 China	600.0	0.9%	**60 Jordan**	12.7	3.6%
11 Russia	438.2	2.2%	**61 Cambodia**	12.4	14.9%
12 Taiwan	423.3	3.3%	**62 Serbia**	12.0	1.9%
13 Portugal	382.6	90.9%	**63 Qatar**	10.9	3.8%
14 India	357.7	3.0%	**64 Latvia**	7.7	3.1%
15 Venezuela	356.8	26.8%	**65 El Salvador**	7.3	6.4%
16 United Kingdom	310.3	12.6%	**66 Myanmar**	7.2	12.0%
17 Spain	286.8	31.8%	**67 GEMAC 5**	7.1	1.4%
18 Lebanon	310.3	35.3%	**68 Guatemala**	6.9	3.6%
19 Austria	286.8	37.9%	**69 Colombia**	6.9	0.7%
20 Belgium	227.6	33.4%	**70 Macedonia, FYR**	6.8	6.7%
21 Algeria	1736.	3.5%	**71 Tunisia**	6.8	2.0%
22 Sweden	150.3	10.6%	**72 Lao**	6.5	22.6%
23 Libya	143.8	3.9%	**73 Iraq**	5.9	0.9%
24 Saudi Arabia	143.0	9.0%	**74 Lithuania**	5.8	1.6%
25 BIS	142.7	(1)	**75 Ireland**	5.5	13.5%
26 Singapore	127.4	1.8%	**76 Sri Lanka**	5.2	3.8%
27 Philippines	126.9	9.0%	**77 Bahrain**	4.7	0.5%
28 South Africa	124.1	8.9%	**78 Mexico**	3.9	0.1%
29 Turkey	116.1	3.3%	**79 Bangladesh**	3.5	1.4%
30 Greece	112.3	79.0%	**80 Canada**	3.4	0.2%

Country	Tonnes	Gold's % share of reserves**	Country	Tonnes	Gold's % share of reserves**
31 Romania	103.7	5.9%	**81 Slovenia**	3.2	6.2%
32 Poland	102.9	3.8%	**82 Aruba**	3.1	16.7%
33 Thailand	84.0	2.2%	**83 Hungary**	3.1	0.3%
34 Australia	79.8	5.3%	**84 Mozambique**	3.0	4.3%
35 Kuwait	79.0	8.2%	**85 Kyrgyz Republic**	2.6	5.3%
36 Egypt	75.6	5.4%	**86 Luxembourg**	2.3	19.1%
37 Indonesia	73.1	3.0%	**87 Albania**	2.2	2.2%
38 Denmark	66.5	4.0%	**88 Hong Kong**	2.1	0.0%
39 Pakistan	65.3	8.7%	**89 Iceland**	2.0	1.7%
40 Kazakhstan	62.7	8.0%	**90 Papua New Guinea**	2.0	2.2%
41 Argentina	54.7	2.8%	**91 Mauritius**	1.9	3.5%
42 Finland	49.1	13.4%	**92 Tajikistan**	1.6	14.3%
43 Bulgaria	39.8	5.2%	**93 Yemen**	1.6	0.7%
44 WAEMU 3	36.5	8.2%	**94 Suriname**	1.3	7.0%
45 Malaysia	36.4	0.8%	**95 Cameroon**	0.9	0.9%
46 Slovak Republic	35.1	4.1%	**96 Hondas**	0.7	0.6%
47 Peru	34.7	3.1%	**97 Dominican Rep.**	0.6	0.5%
48 Bolivia	28.3	12.9%	**98 Gabon**	0.4	0.7%
49 Ecuador	26.3	16.0%	**99 Malawi**	0.4	3.7%
50 Syria	25.9	(1)	**100 Central African Rep**	0.4	5.7%

(1) BIS and IMF balance sheets do not allow this percentage to be calculated.

Would central banks from such diverse economies (many depending upon gold and commodity prices) sell their gold œ all at once, or over time? Whatever the case, the African Union should actively encourage its natural allies in such an endeavor to agree to fix their currencies to Africa's, or publicly agree to defend it, under speculative attack. Africa's major trade partners most likely to join, expand or defend an African single currency area are India, the Gulf Cooperation Council (GCC)[34] nations and China.[35]

Of these, the GCC may be the most likely and compatible bloc to join an African gold standard, or vice-versa. Their efforts to create a single currency monetary union are scheduled to launch in 2010, and are openly considering gold reserve backing.[36]

While not major trading partners, Malaysia[37] and Turkey[38] share ideological agreement with the use of gold as a currency. If not these countries individually, then perhaps a grouping of Islamic countries œ such as the Organisation of the Islamic Conference (OIC) œ may be moved to support a gold-backed currency, which resonates with the teachings of Islam.[39] The African Union must think through its single currency in the scenario of a multi-polar world (where the U.S. dollar's role as reserve currency diminishes) œ an environment that many economists, such as Samir Amin believe the financial crisis of 2008 will produce.[40]

An interesting possibility, suggested by Libyan Leader, Muammar Gadhafi, would have the African Union include "Caribbean nations with African populations."[41] If Caribbean nations would join an African monetary union, this would also add additional strength to the currency area.

An unmentioned weapon in Africa's arsenal would see its leading oil-producing nations œ Nigeria, Algeria, Libya, Angola, Egypt, Sudan, Equatorial Guinea, Chad, Congo Brazzaville, and Gabon œ ask for payment of oil in a single African currency. 2005 global production numbers[42] indicate this act alone would create formidable demand for an African currency. According to current U.S. Department of Energy statistics,[43] Africa's daily oil production is 10.4 million barrels per day. If combined with a similar demand for oil payments in African currency by GCC nations, the currency could be strong indeed.

A remaining issue is identifying the optimal price of gold established by an African Central Bank.[44] The answer could be found by a careful review of business contract durations, commercial bank loan horizons, and volume and maturity of domestic debt securities. Setting the price too high benefits debtors, as they would be paying back loans made with currency less valuable in terms of gold. If the gold price is set below current levels it is creditors who would benefit.[45] An additional consideration is what a gold standard would do for gold producers. Some may appreciate a price of gold above current levels that is stable, ending years of hedging activities.

In conclusion on this point, it should be noted that there are variations of a gold standard. By a gold standard we simply mean a currency management system that ties the value of money to the value of a fixed quantity of gold.

The proposal presented here is sympathetic to the concerns of many who believe a gold standard operates optimally based upon the *quantity* of gold held by a central bank. A study of the operations of the classical gold standard as it operated in Britain and the United States from the 18th to the early 20th century provides evidence that a gold standard is more about the *quality* of money rather than its quantity. So the promise of a government to maintain and honor a single price of its currency in terms of gold is more important than a promise to maintain a specific quantity of gold in reserve.[46]

This is due to the importance of money's role as a unit of account or measure of value which not only makes it a stable medium of exchange but also a form of guidance and accurate information œ a standard by which labor and capital across industry, region, and language can be compared.

On the contrary, a large reserve can make the authorities lazy about adhering to the discipline of the gold standard. The colossal reserves of gold in the United States after World War II were an open invitation to bend the rules, a bad precedent that, when repeated chronically over the following two decades, ultimately led to the breakup of the world monetary system. The Bank of England of the late nineteenth century, on the other hand, maintained a minimal reserve, which is why it had to manage its affairs with legendary precision."

ADDITIONAL CRITICAL FACTORS

There are some very critical factors essential to achieving the task of a single African currency. We briefly outline:

The EMU Provides Lessons But Not Always A Model

Caution is warranted against literally following Europe's establishment of the euro. First, the euro is a paper currency not backed by either a strong government, or gold. Secondly, in Europe the supranational central bank was established ahead of political organization. The EU has struggled to establish monetary independence while making integration a democratic process. This ripples through countries with different electoral structures. Here are lessons for Africa - with its varying forms of governments and levels of accountability between leadership and the populace. Thirdly, the EU political community is 26

Members, while only 16 of those countries have adopted the euro as their currency. This provides awkward moments such as is currently the case where the current holder of the EU's rotating presidency, Czech Republic President Vaclav Klaus, represents critical and skeptical views of the EU while his nation continues to use its own currency œ the Czech crown or "koruna," rather than the euro. Fourthly, the EU's convergence criteria had contradictory elements. The denial of Lithuania into the EU is an instructive example.[47] And lastly, as the current global economic crisis has revealed, there are significant questions pertaining to regulatory policy and authority (which impact monetary policy formulation and its implementation) that have never been adequately addressed œ namely, supervision of cross-border banks, and whether the European Central Bank (ECB) or national banking authorities, should provide it.

The European Community in some ways did set a good example with its earliest efforts to arrive at a standardized convergence criteria for monetary union. However, it eventually settled on a maze of criteria: inflation rates, budget deficits, government debt levels, interest rates, and exchange rates, which perhaps represented too many targets, often contradictory in nature.

Access to Capital [48]

In every society are five sources of capital. The first three are:

- inheritance, transferred in various forms, and through natural resources;
- savings, and
- access to financial markets

If access to these three sources of capital is hindered, there are only two others left: government and crime. What happens when societies either do not have, or inadvertently, destroy their financial markets? When this is the case, most people wanting access to capital have no other option but to turn to government to raise the money, whether through taxes or borrowing, and then distribute it.

African independence, was a turn to government for capital (though most understood it as 'socialism,' or 'communism,'), and its business monopoly power, in response to the fact that capital markets were closed off or prevented from developing under colonialism.[49]

A stable currency's impact is limited until financial markets develop, matching capital with talent and ideas. This could be seen in the collapse of the CFA franc zone in the 1980s, which had a relatively stable currency but a banking system that had not evolved beyond a brittle colonial structure or external political pressures.[50]

A single currency is a strong step, but unwinding government's business monopoly requires a maze of civil and legal institutions to establish trust without which capital markets cannot develop.

Streamlining Tax Structures

A single currency can move ahead only if the internal tax structures of African nations are made roughly similar, so that a common currency will not have variable impacts on output and employment through its effects on tax progressions and structures.

Even small errors made by the ACB relative to the currency's value would be transmitted at variable rates according to the tax structures of member states. Floating exchange rates provide a buffer against this, but they come with costs as already noted.[51] There is a necessary action, then, for success: *making tax systems virtually identical*[52] *throughout Africa, and providing support for nations hurt by the transition.*[53]

The economies of all countries have some form or combination of three forms of taxation: specific (tariffs and excise taxes levied on weight and volume); ad valorem (taxes applied proportional to value - i.e. duty free up to a certain dollar amount); or progressive ad valorem (the rate of taxation rises progressively as the value of the taxed object rises).

Inflation ripples through economies in different ways because of these three forms of taxation and the varying degree to which they exist and are applied from nation-to-nation.

Inadequate attention to this dynamic seems to be a failing of the European Monetary Union (EMU), which did not anticipate how inflation and revaluations of the currencies of its member countries would affect the domestic economies. The economic integration efforts of Europe toward its single currency, the euro, had variable impacts on output and employment due to how monetary inflation interacted with tax progressions.[54]

This returns us to optimum currency area thesis, which conditions that members of a monetary union have similarity in industrial structures, as these industries imply a tax structure. When dissimilar, as is currently the case within the EAC, economies are impacted differently by external shocks. Thus, Uganda suffers more than Tanzania and Kenya.

African nations must unwind the legacy of the colonial era tax structure, while balancing direct and indirect taxation. There are typically three areas available for taxation, 1) production and consumption, 2) income, and 3) property. LDCs tend to be dependent upon indirect taxes on production and consumption œ sales taxes, import duties and excise taxes œ because they are easier than direct taxes to collect and assess. Income taxes are problematic because of the time-sensitive nature of cash crops, and the difficulty in assessing the income of every single member of the economy. Where agrarian economy so dominates, wage-earners are in the distinct minority and found primarily in the country's relatively few urban areas, though heavily concentrated. Property taxes are difficult to collect because they require titles to assets and the assessment, valuation and revaluation of productive and non-productive land. But as nations seek to climb the ladder of industrialization and higher levels of tax revenues, indirect taxes never satisfy and income[55] increasingly become important.[56]

Strengthening the African Union Commission, Infrastructure Support, Trade Facilitation, Debt Forgiveness

It has been a struggle for the African Union thus far, with its *Commission* doing the best it can to serve as driver and change agent, with limited resources. This First Congress of African Economists, is prototypical of the kinds of efforts œ white papers, studies, and dialogue and planning sessions that must accelerate if a single currency is to be ironed out. African nations and the international community who care about or benefit from the AU must adequately support the financial needs as outlined by the *Commission*'s Strategic Plan.

Step two is a firm commitment to the building of Africa's infrastructure. As at least two parties are always involved in international trade, the development of bridges, roads, freight, aircraft, ships and other transport needs are of shared benefit. The massive continental and international commitment to fully fund and complete the Trans African Highways (TAH) network is vital. According to the UN Economic Commission for Africa there are significant missing links in TAH, of 15% or more in 7 Regional Economic Communities (COMESA, EAC, ECCAS, ECOWAS, IGAD, SADC, UMA).

There can be no single currency without massive increases in intra-Africa trade. There can be no such increases if the RECs are not connected in transport, particularly the 15 land locked nations.

Step three is an all-out effort to provide trade facilitation to the RECs. While most of the RECs efforts and general trade theory focuses on policy, the evidence is mounting that natural barriers raise the cost of trade more than restrictive policies such as quotas, tariffs etc.

If Africa's regions are to become the basis of currency areas then the free flow of capital and labor must place non-policy or trade facilitation on the same level as trade policy agreements. The elimination of transport-related costs, infrastructure-related costs, inefficient/excessive bureaucracy, and uncompetitive trade services are critical to the establishment of optimum currency area for Africa.[57]

Lastly, the burden of Africa's debt is crushing[58] because of its impact on the public finance of governments. To service external debt[59] and pay for services, governments embark on inflationary spending to pay bills and purchase essential imports. This will continue unless Africa's debt is forgiven or radically re-structured.[60] No regional monetary authority will have any credibility with its citizenry and private markets if the member nations, which give it its power, are running a printing press. The forgiveness of debt will remove this pressure from struggling governments who have become dependent upon foreign aid[61] in order to finance national budgets. If debt forgiveness is not possible a commitment by an African Central Bank to redeem all African Union member debts in terms of a single currency backed by gold - and refinance them with longer maturities and lower interest rates - could bring stability to a United States of Africa, as was the case with the United States of America in its earliest and most troubled financial days.[62]

Another striking example of how low taxes and stable money overcome a debt burden can be found in post-Napoleonic England[63].

The Congress of African Economists and Popularizing a Single Currency

As outlined in the Commission of the Africa Union's: 2004-2007 Strategic Plan: "A first challenge is reaching far greater public levels of consensus on a shared vision of the future for the continent."

This Congress in addition to the duties outlined according to its mandate described in this call for papers, can also assume an ambassadorial role in Africa and throughout Her Diaspora, engaging media, business leaders, political power centers, opinion leaders, and most importantly, the general public which stands to benefit from a single currency.

The benefits of decreased costs; certainty in planning; fairness between debtors and creditors; transparency between electorates and their governments; and accountability between talent and capital œ all made possible by a single stable currency in Africa should be trumpeted in forums, editorials, appearances, panels and conferences.

CONCLUSION

Karl Schiller, West Germany's minister of finance in the late 1960s (He was appointed President of the Economic Development Corporation for Equatorial and Southern Africa), was fond of noting, "Stability might not be everything, but without stability, everything is nothing."

As essential as it is, a stable currency cannot occur in a vacuum, with other variables not considered, as has been noted.

Nor can a single currency cure all of what ails Africa.

But a currency is about more than just money and finance, it represents the faith and confidence of people in their relationships with one another, institutions, markets and government.

In that sense, currency stability *is everything*.

This is easy to see for example in Zimbabwe, where - a power-sharing agreement, notwithstanding - unless hyperinflation is stamped out, no cultural, political or business arrangements will be anything but temporary.[64] In a sense there is very little economic power to share with currency instability and runaway inflation.

An overwhelmed Zimbabwe government has attempted to handle this crisis with foreign exchange controls, the issuance new denomination of banknotes, and limited withdrawals on cash withdrawals[65]. Its leaders most recently proposed a "randization' of its economy where the currency of South Africa – the rand – would circulate alongside the Zimbabwe dollar under a floating exchange rate regime,[66] before finally permitting foreign currencies, including the U.S. dollar, to circulate alongside the Zimbabwe dollar.

It is also clear in Somalia where hyperinflation has driven some to recommend the U.S. dollar replace Somali Shillings[67].

Under the proposal presented in this paper these real and proposed steps by Zimbabwe and Somalia would be unnecessary, under the creation of a regional monetary union bringing Southern and Eastern Africa together.

Overcoming the painful legacy and barriers caused by colonialism, improper use of government business monopoly, and 35 years of the breakdown of the Bretton Woods agreement, will require careful regional integration and a transition period away from independent national currencies toward fixed exchange rate regimes that converge into a single African currency, backed by gold.

A single currency is not enough.

If economic sovereignty is to finally be Africa's, that currency must have credibility and must not be the basis for corruption or deception. The best way to achieve such is through the simplicity and transparency of a gold standard that will allow the African people, each day, to hold gold coin and paper money in their hand, and if necessary, bring it to the very doorstep of monetary authorities for exchange.

Is it any accident that words like trust, credit, security, and bond dominate in monetary matters?

It is most appropriate that the answer to Africa's economic problems Rests in her internal unity and a metal that She holds in great supply, which all of Her people value œ regardless to tribe, religion, class, language or nationality œ and which She has used prior to the last 6,000 years.

Africa's immediate future depends on Her ancient past.

To establish the United States of Africa, insight from a variety of quarters must be sought - as this noble First Congress of African Economists has done. Regardless of the source œ indigenous, western, eastern, spiritual, or philosophical, the African Union's planning for continent-wide unity must drink from a fountain of knowledge, understanding, and wisdom, as diverse as the people living in the homeland, and Her sons and daughters abroad.

Hence it is not surprising to see signs of such eclectic approaches. From the continent, the Leader of The Great Socialist People's Libyan Arab Jamahiriya, Muammar Gadhafi, has studied literature on corporate mergers and acquisitions,[68] while from the Diaspora, the Nation of Islam's Minister Louis Farrakhan advises, "There is an answer and solution to these problems of ethnic, tribal, religious and racial differences that are found in the scriptures, in both Bible and Qur'an."[69]

A single currency backed by gold can return Africa to her role as the Mother of Civilization, representing a Polaris to improve declining global affairs - a guiding light which can prevent the crashes currently underway, and remove exploitation, oppression, and greed, from trade and commerce - potentially offering a society marked by a full and complete freedom; an abundance of justice; and a measurable equality.

By taking the optimum approach to a single currency, the African Union will not only make history, but will participate in the writing of it.

End Note

1 As recorded in *Waiting Til The Midnight Hour: A Narrative History Of Black Power In America*, Peniel E. Joseph, 2006. Note that President Nyere makes this statement one year after the dollar link to gold is completely severed by President Nixon.

2 As recorded in *The Fate of Africa*, Marin Meredith, 2005

3 In JFK, L. Fletcher Prouty provides the example of Vietnam, as described by General Edward G. Landsdale, —It was true that France had said that Vietnam was independent, but the French issued and controlled Vietnam's currency, ran the national bank, customs, foreign affairs, armed forces, and police, and had a host of French officials placed throughout the administrative system. The French high commissioner for Vietnam was the real authority."

4 International Economist and pan-Africanist Marc Mealy suggests in comments on this paper: —For LDC's, the very logic, nature, dynamics and definition of growth and development are determined by institutions and forces external to their societies. In the case of Africa, —thinking — about growth and development are framed from the perspectives of those outside of Africa, perpetuating the historical interruption of indigenous dynamics of development via dynamic structures that link the resources and markets of African societies as growth engines for other nations. In simple term, growth and development are analyzed and explained within the parameters of the very same mindset which has positioned African societies in varying degrees of low level equilibriums of unsustainable growth and limited development."

5 Drawn from *JFK*, L. Fletcher Prouty, 1992 and conversations regarding Peru's economy with author in 1996.

6 The empirical evidence of gold's superiority as a standard of value over time is strong. An excellent reference is *The Golden Constant, the English and American Experience, 1560-1976* by Roy W. Jastram, which demonstrates that gold's purchasing power is uniquely and remarkable stable over centuries. England and the United States, Jastram shows, avoided currency inflation by defining the pound and dollar in terms of gold.

7 In *Gold: The Once And Future Money* (2007) by Nathan Lewis we read, "The decision to use gold as the monetary Polaris, the universal standard of value, is not the product of a deductive process, a weighing of pros and cons, but the end result of millennia of trial-and-error experimentation. It is possible only to postulate, in hindsight, why this process produced the result it has. Nor does anyone claim that gold is a perfect and unchanging measure of value. It is simply the best measure available, the one that, if adhered to in the long run, least burdens the citizenry with the effects of inflation and deflation. The North Star itself has a bit of a wiggle, as do the Earth's magnetic poles. Gold and silver were independently adopted as money in China, Japan, Africa, Europe and the Americas. No mere superstition could produce such a result. It is only because few are able to explain this result that gold's functional supremacy takes on the air of superstition or faith."

8 Drawn from —A Gold Polaris," Jude Wanniski, Feburary 26, 1997, Polyconomics.com. Two excellent books detailing the increasing power of currency speculators are *The Vandals' Crown: How Rebel Currency Traders Overthrew The World's Central Banks* (1995) by Gregory J. Millman and *The Malaysian Currency Crisis: How and Why It Happened* (2000) by Mahathir Mohamad.

9 Drawn from "The U.S. Dollar and Prosperity: Accidents Waiting To Happen," Reuven Brenner, Prepared For the Cato Institute's 23rd Annual Monetary Conference, 'Monetary Institutions and Economic Development,' November 3, 2005, Washington D.C.

10 The United States Senate Committee On Agriculture, Nutrition, And Forestry's October 14, 2008 Hearing on 'The Role Of Financial Derivatives In The Current Financial Crisis,' presented overwhelming evidence supporting this assertion. A succinct depiction of associating the volatile derivatives industry with the end of the international gold standard or gold exchange system was presented by Judy Shelton, in a November 14, 2008 opinion editorial, 'Stable Money Is The Key to Recovery,' published in *The Wall Street Journal*. Ms. Shelton writes, "At the bottom of the world financial crisis is the international monetary disorder. Ever since the post-World War II Bretton Woods system – anchored by a gold convertible dollar – ended August 1971, the cause of free trade has been compromised by sovereign monetary-policy indulgence. Today, a soupy mix of currencies sloshes investment capital around the world, channeling it into stagnant pools while productive endeavor is left high and dry. Entrepreneurs in countries with overvalued currencies are unable to attract the foreign investment that should logically flow in their direction, while scam artists in countries with undervalued currencies lure global financial resources into brackish puddles. To speak of 'overvalued' or 'undervalued' currencies is to raise the question: Why can't we just have money that works œ a meaningful unit of account to provide accurate price signals to producers and consumers across the globe? Consider this: The total outstanding notional amount of financial derivatives, according to the Bank of International Settlements, is $684 trillion (as of June 2008) œ over 12 times the world's nominal gross domestic product. Derivatives make it possible to place bets on future monetary policy or exchange-rate movements. More than 66% of those financial derivatives are interest-rate contracts: swaps, options or forward rate agreements. Another 9% are foreign exchange contracts. In other words, some three-quarters of the massive derivatives market, which has wreaked the most havoc across global financial markets, derives its investment allure from the capricious monetary policies of central banks and the chaotic movements of currencies."

11 In the years 1964 and 1965 Nation of Islam Leader, The Honorable Elijah Muhammad, publicly wrote of the dangers associated with America and Britain going off of the gold and silver standard,

which at that time, were most visible internationally through the breakdown of the London Gold Pool Agreement of 1961. Some of those writings œ initially published in *Muhammad Speaks* - can be found today in the book, *Message To The Blackman In America* which was first published in 1965. Late political economist Jude Wanniski told this author that the Honorable Elijah Muhammad was the first to understand the impact of the gold standard from a spiritual perspective. According to Wanniski, Mr. Muhammad's insights were followed in the political sphere, by the insights of economist Robert Mundell, in 1968.

12 *A Way Out of No Way*, Andrew Young, 1996.

13 A possible exception would of course be President Nyere as evidenced by his statement, "We are neither poor, nor are we kept poor, because we are black. We remain poor because of the world trading and monetary systems - and these, whatever *their* other disadvantages, are color-blind." Of course many post-independence African leaders presented a strong critique of neo-liberal and colonial economic realities and systems.

14 An interview of Professor Mundell dated 28 March 2002 and published under the title, "Are commodity prices really as low as they seem?" appears on the website of the Food and Agriculture Organization of the United Nations. It features a similar argument from Mundell, except any reference to an African gold standard, which this author uniquely raised in 2000.

15 Excerpt of IMF Transcript of forum

16 In *The Power of Gold: The History of an Obsession* (2000) by Peter L. Bernstein we read, "The Egyptians were casting gold bars as money as early as 4000 BC, each bar stamped with the name of the pharaoh Menes."

17 In *Money and Banking* (1982) by J.K. Onoh we read, "In Ghana (formerly the Gold Coast) the most important currencies of the eighteenth and nineteenth centuries were slaves and gold dust. Crude gold mining activity was carried on in Ghana long before the British colonization. European traders and adventurers encouraged the use of gold-dust currency in Ghana."

18 Drawn from "Monetary Institutions and Underdevelopment: History and Prescriptions For Africa," Kurt Schuler, January 2001.

19 Drawn from "Monetary Institutions and Underdevelopment: History and Prescriptions For Africa," Kurt Schuler, January 2001.

20 Drawn from "How to Create a Successful Monetary Union in West Africa" [Parts I and II]; Cedric Muhammad and Matt Sekerke, BlackElectorate.com, February 18,19, 2002.

21 "Africa: The Limits of a New Trading Bloc," Stratfor.com, October 23, 2008.

22 "The Agony of Central Banks," *The East African*, Jaindi Kisero; November 3, 2008.

23 "Is East Africa an Optimum Currency Area?" Beatrice Kalinda Mkenda, Working Papers in Economics no 41, April 2001, Department of Economics, Goteborg University.

24 "East African Community: Towards Monetary Union," Anna Sarotto, The New Federalist.EU, April 20, 2008.

25 "Libyan Leader Al-Qadhafi's Objection to Mediterranean Union: Libyans Cannot Form a Union with Europeans Who Walk Around Naked," excerpts from a speech by Libyan Leader Mu'ammar Al-Qadhafi, which aired on Al-Jazeera TV on July 9, 2008; Middle East Media Research Institute.

26 Drawn from Professor Steve H. Hanke, Professor of Applied Economics at Johns Hopkins University's excellent "Some Reflections on Monetary Institutions and Exchange-Rate Regimes" (Testimony before the International Financial Institution Advisory Commission, Washington D.C., January 3, 2000).

An insightful explanation of the balance of payments crises that erupt from an improper currency management system is found in Nathan Lewis' Gold: The Once And Future Money, "All the currency fluctuation I the world is due to the actions of central banks. The monetary authorities' traditional responsibility is to match supply with demand, producing a stable currency. The fact that central banks have recently ignored this responsibility, indeed hardly know that it exists, does not absolve them of blame for all of the monetary disasters of the past 30 years œ every single one. Incompetence is a poor excuse.

It is true that many countries have tried and failed to peg their currencies, with disastrous currency crises often the result. This is because such governments did not properly use supply adjustment to maintain the peg. Often the peg is maintained by some form of government coercion. The end result of this strategy is that either the government becomes extremely coercive, with draconian capital and exchange controls and the like, or the desire of the world citizenry to trade on its own terms overwhelms the coercive powers of the government. With a proper currency management system, no government coercion is necessary, because the government follows the dictates of the market by adjusting supply.

Instead, the governments try to influence currency markets through large-scale sales or purchases of foreign currency markets through large-scale sales or purchases of foreign currencies, thus "scalding the fingers of speculators." This is merely another form of government coercion, and the government's coercive powers are represented by its foreign exchange reserves, the "bullets" with which it "punishes" the currency markets.

Like all artificial price controls, these "foreign exchange interventions" are destined for failure. When combined with an interest rate peg policy, they typically do not alter the supply of domestic currency available and thus have little effect on the value of the domestic currency. The money that is taken out of circulation by the foreign exchange intervention is immediately returned to circulation by the interest rate peg, a process known as sterilization. The supply of money is no different than if there had been no intervention at all. The exchange rate is perturbed for a short period, but soon after reflects again the fact that the supply of currency is unchanged. Rather than supporting the currency, after the intervention, the currency's value may fall further, for it has become apparent that the central bank is incompetent. Speculators, betting on continued blunders by the monetary authorities, sell the currency short in enormous quantity. The monetary authorities soon run out of foreign reserves with which to conduct their short-term market perturbations, and the currency falls like a stone.

Central banks adopt this nonsensical approach because of a misguided attempt to separate domestic monetary policy from foreign monetary policy. Today they are even overseen by different departments – in the United States, the Treasury is in charge of domestic monetary policy from foreign monetary policy. This bizarre arrangement has been replicated all over the world.

There is only one currency, and it has only one supply, one demand, and one value. It cannot be made to do two things simultaneously. Domestic monetary policy is typically based on interest rate targets.

Foreign monetary policy is based on exchange rates. But in trying to accommodate these two policy frameworks, the central banks can do only one thing œ adjust the supply of money, either in terms of the interest rate target or the exchange rate target. At some point the two come into conflict, in which case usually the interest rate target takes priority, the exchange rate target is abandoned, and the effects of foreign exchange intervention are sterilized. (If the foreign monetary policy takes precedence and the interest rate target is abandoned, the system in effect becomes a currency board-like mechanism.) To maintain the two impossibly contradictory policy goals, central banks intervene in currency markets in a losing battle, not with the market, but with their own domestic monetary policy, screaming in anguish as they bang themselves in the head and shoot themselves in the foot. This farce is a source of great hilarity for those who understand it, and for some speculators, a source of enormous profits.

Governments attempted to cleave monetary policy into two because, during the period from 1935 to 1980, they wished to incite an inflationary boom without suffering a fall in the currency's value. It is impossible to devalue and not devalue a currency at the same time, as those governments that have attempted it have amply proven. Although few major governments pursue devaluation actively and overtly today, having learned their lessons the hard way during the 1970s, nevertheless they have inherited an operational framework designed for devaluation. Most of the academic, intellectual, institutional, and policy structures in the world today are relics from the era of inflationism. They cannot be used to create a stable monetary system, and must be discarded."

27 A historical reference and suggestion made by Robert Mundell for a possible monetary union between the U.S., Mexico, and Canada, addressing sovereignty concerns largely attributed to Mexico; General discussion, - "One World, One Currency: Destination or Delusion?" November 8, 2000 (IMF economic forum in Washington, D.C. participated in by author of this paper).

This section is also informed by the parallel currency approach outlined in Russian Currency and Finance: A Currency Board Approach To Reform (1993) by Steve H. Hanke, Lars Jonung and Kurt Schuler.

28 In a lucid opinion editorial, "Dollar Bears," published in the *Wall Street Journal* on March 18, 2008, Reuven Brenner makes clear the parallel between the relationship between a decimal and denomination system and a fixed exchange rate regime writing, — There are many "moneys' in circulation -- a few of them domestic and others foreign. We have $100, $10 and $5 bills. We also have quarters, dimes and pennies, and an array of foreign currencies circulating. They all function as a medium of exchange here and around the world. The U.S. denominations stay in fixed relation one to the other, whereas the others have been fluctuating by 50% or more relative to one another. Ask then: Why can the $10 bill always be exchanged for 40 quarters, whereas it varies daily in terms of how many foreign units it can be exchanged for? After all, the demand for the $10 bills and quarters fluctuates. With fewer parking meters, more automatic machines accepting credit cards and more cell phones, the demand for quarters has been dropping, and the demand for paper bills rising. Why doesn't the value of the quarters drop relative to the $10 bill? The answer is that as fewer coins are being used, they get returned to the central bank, which perhaps sells them as scrap metal, issuing $10 dollar bills instead. This same process can work for any two currencies of two different countries. If people decide that they intend to spend less in the U.S., they show up at a bank or brokerage house and ask to exchange their unwanted U.S. dollars for, say, Canadian ones. The Fed notices that the demand for the U.S. dollar decreased, so it absorbs the unwanted U.S. dollars by selling U.S. denominated bonds on the open market (or selling Canadian dollars or Canadian dollar-denominated bonds). The exchange rate between the two countries stays stable -- pretty much as the 'exchange rate' between the two U.S. denominations stays stable. Technically, the value of the Canadian dollar to the U.S. dollar can be as easily fixed as the value of the one U.S. denomination relative to another."

29 This picture of the mechanics of an African Central Bank is based on the operations of the Federal Reserve System, functioning under a classical gold standard, drawn from *The Way The World Works*. An African Union government however, need not give control of the issuance of its currency to a privately owned concern, as the United States Congress did with the Federal Reserve. In other words, the African Central Bank need not be privately

owned. It should also be noted that one of the strongest and clearest warnings against mere paper money (without backing by gold or coin) comes from the architect of America's central bank, Alexander Hamilton. That concise message can be found in Alexander Hamilton's report to the House of Representatives, 13 December 1790, in American State papers, Finance, 1st Congress, 3rd session, no. 18, I, 67-76.

30 "The Description of The Emblem Of The AU" and "The Description of the Flag of the AU" as posted on the African Union website (http://www.africa-union.org/root/au/AboutAU/AUSymbols/ausymbols.htm)

31 Sources: CIA World Fact Book (2008) (https://www.cia.gov/library/publications/the-world-factbook/) and IMF 2008 statistics.

32 *The War on Gold*, Anthony C. Sutton, 1977.

33 "China Became World's Top Gold Producer In 2007," Shu-Ching Chen, *Forbes*, January 18, 2008.

34 GCC nations are Qatar, Bahrain, Saudi Arabia, Kuwait, Oman, United Arab Emirates.

35 As it relates to a role for China, and other Asian nations, a study of the historic first *Afro*-Asian conference *in* Cairo, Egypt from December 1957 to January 1, 1958 may yield insights. From the Afro-Asian Peoples' Solidarity Organisation website (http://www.aapsorg.org/site/docs/index.htm) we read: "The first conference of the Afro-Asian Peoples" Solidarity movement was held in Cairo at the end of 1957 until 1st January 1958 and resulted in the establishment of the Permanent Secretariat of the Organization with its permanent headquarters in Cairo. It is a non-governmental mass organization. The Non-Aligned movement was formed as a governmental movement of Third World countries and is an official continuation of the Bandung conference. Moreover, it considered the Solidarity Organization as a popular extension of the objectives of the conference. The Afro-Asian Solidarity Organization (AAPSO) is a mass non-governmental organization with national committees in more than 90 countries of the world -in Asia and Africa, and has associate member committees in Europe and Latin America. AAPSO struggled firmly and resolutely since its inception against colonialism, apartheid, wars and endeavored for peace. The Organization and its national affiliate committees and member liberation movements extended all forms of support to peoples in Africa, Asia and Latin America. The Organization flourished in the 60's during the escalating liberation struggles and crowned its successes in the 70's with the victory achieved by the people of South Africa against Apartheid and racial discrimination."

36 In a December 31, 2008 article, 'Will the New GCC Single Currency Include Gold?' by Peter Cooper, we read: "Gulf Cooperation Council leaders yesterday concluded their 29th annual summit meeting in Muscat, Oman with a final approval for the creation of a single currency for the six-nation economic bloc, still targeted for 2010.Saudi Arabia is the largest economy in the GCC and boasts substantial gold reserves. But whether gold will be included in the currency basket has not yet been decided. GCC assistant secretary-general Mohammad Al Mazroui told Gulf News: 'We first have to decide on the location of the Central Bank, then the Central Bank and Monetary Council will have to decide on the gold reserves for the Central Bank'. The creation of the GCC single currency - likely to be known as the Khaleeji which means Gulf in Arabic -is a major gold event for two reasons. First, the breaking of their dollar pegs by the Gulf Arab nations is clearly dollar negative. Secondly, any inclusion of gold either as a part of the monetary basket, or in the reserves of the new GCC Central Bank will create additional demand for the precious metal. The project is gathering pace, and no lesser a figure than Saudi Arabia's King Abdullah has directed that GCC economic integration committees speed up their work and complete the whole exercise by September 2009. It is only a couple of months since a group of Saudi businessmen allegedly bought $3.5 billion worth of gold, believed to be the largest ever single transaction for the precious metal. Perhaps in 2009 it will be gold rather than local currencies which become of interest to speculators about monetary reform in the GCC. Gulf countries are keen to break away from the link with the US dollar because it ties them to inappropriate monetary policies that exaggerate the boom-to-bust cycle in their economies."

37 *The International Conference on Dinar Economy* held July 24-25, 2007 in Kuala Lumpur, Malaysia addressed the subject of a gold dinar currency œ an idea backed publicly by former Malaysian Prime Minister Dr. Mahathir Mohamad.

38 In the book *The Return of the Gold Dinar* (1996) by Umar Ibrahim Vadillo, in a Preface written by Shaykh Abdalqadir As-Sufi we read, "The subject matter of this important work has already entered into the political discourse of the Muslims. This text and minted gold Dinars and silver Dirhams were presented by its author to Dr. Erbakan, leader of the Refah party, Turley's National Islamic Party. Dr. Erbakan then declared that on being elected the gold Dinar would become the national currency. It created a sensation. Much more than any phantasm of terrorist activity, the usual instrument of the media to alienate the public, the possibility of gold coins replacing the disastrously inflated paper lire, created panic. If any proof were needed that finally the real issue had been identified, the fear of the secular political parties certainly provided it. At an Islamic Conference hosted by the City of Istanbul and its Mayor, Recep Tayyib Erdogan, Dr. Erbakan called me onto the platform to hold up the Dinars to the Istanbul citizens. The vast hall erupted in thunderous applause and shouted takbirs. It was a historic moment and one that will inevitably lead to implementation of the programme proposed in this book."

39 For a more exhaustive exposition on this œ especially on how one of the two forms of interest prohibition in Islam dovetails with a gold standard see a 2007 article, —Toward an Islamic

gold standard–Part IV," by Cedric Muhammad, *Final Call* Online: (http://www.finalcall.com/artman/publish/article_3921.shtml).

40 In an interview titled, —Is The Financial Crisis The Achilles Heel Of Capitalist Globalization?" dated October 29, 2008, and published at *Monthly Review*, Samir Amin is quoted as saying, —It's a monster, yes, it's a monster, but it's a monster which can be defeated also. This pattern of globalization, this pattern of the exclusive rule of dominant capital, that is, of oligopolies, is not acceptable and is not accepted. The breakdown is starting by the financial crisis, because financial globalization is the Achilles heel of the global capitalist system. In that case, my prediction, because it' a short-term prediction, is that this crisis is going to deepen in the coming years… I think that the probability for it [a new multipolar order] to come to crystallize in the coming years is high. There is a growing demand for a real multipolar system. A multipolar world is a world in which all nations have their place. It will not be equal, but less unequal."

41 "Gaddafi Wants Caribbean in Africa," February 11, 2009, BBC

42 According to ClickAfrique.com (which published U.S. Energy Agency statistics) the statistics were: 1) Nigeria (Production: 2,600,000 barrels per day); 2) Algeria (Production: 2,080,000 barrels per day); 3) Libya (Production: 1,600,000 barrels per day); 4) Angola (Production: 1,250,000 barrels per day); 5) Egypt (Production: 579,000 barrels per day); 6) Sudan (Production: 363,000 barrels per day); 7) Equatorial Guinea (Production: 356,000 barrels per day); 8) Chad (Production: 249,000 barrels per day); 9) Congo Brazzaville (Production:227,000 barrels per day); 10) Gabon (Production: 226,000 barrels per day).

43 Energy Information Administration, website statistics available at: (http://tonto.eia.doe.gov/country/index.cfm#countrylist) as of November 11, 2008.

44 A subject that Jude Wanniski perhaps performed the most thinking on, as evidenced by his January 7, 1998 *Wall Street Journal* article, —The Optimum Price of Gold."

45 An exceptionally clear picture of this reality is painted by Thomas F. Woodlock in a May 15, 1933 *Wall Street Journal* article entitled, "We all know that in our complex economic organization, the vast majority of transactions are not settled when they are concluded, but that they almost always involve contracts expressed in money accounts, the settlement of which is deferred over widely varying periods. In our Gold Standard world, it is the purchasing power of gold, as expressed in the general level of commodity prices, that determines the real obligations (in terms of goods, in which only they can be met) of all these contracts. If the general level of commodity prices falls by 20%, or, in other words, if the purchasing power of money increases by 25%, then a contract entered into before that fall has taken place will compel the debtor to give to the creditor a title to goods 25%greater than the two parties had bargained for when they concluded the contract."

46 On this point, Nathan Lewis writes in *Gold: The Once and Future Money*, —The strength of a gold standard is not a function of the amount of gold locked away in hoards. It is based, first and foremost, on the soundness of a promise between the government and the people. If the promise is good, as two centuries of experience had proven in Britain in the late nineteenth century, very little gold will be needed. If a government aims to break its promise with the people, it does not matter if gold has been piled to the rafters in Midas's treasury. With a stroke of the pen, as Roosevelt did in 1933 and Nixon did in 1971, the government can confiscate the gold and tear the gold standard to tatters. (The result of Roosevelt's decision, by the way, was a dramatic increase in the government's gold holdings.)

47 "Eurozone fairness in question as Lithuania denied," by George Parker and Ralph Atkins; May 16, 2006, *Financial Times*, is a good introductory article to the subject.

48 This section is guided by, and drawn and adapted from Reuven Brenner's book *Force of Finance*, (2002) and "The U.S. Dollar and Prosperity: Accidents Waiting To Happen," Reuven Brenner, Prepared For the Cato Institute's 23rd Annual Monetary Conference, 'Monetary Institutions and Economic Development,' November 3, 2005, Washington D.C.

49 Lessons of this marked Africa's experience œ with British colonies preventing small local banks from receiving charters, with Ghana having an outright charter against such. The inability of Africans to formalize or trade in communal ownership of land (and the unwillingness of colonial banks to accept the same) prevented a transition from informal to formal financial activity through the use of collateral and credit via the existing banking system.

50 'Will the Euro Trigger More Monetary Unions In Africa?' Patrick Honohan and Philip R. Lane, July 2000.

51 International Economist Marc Mealy notes in comments on this paper, —Contrary to neo-liberal based thinking that flexible exchange rate policies are always better then fixed, a recent study œ —Does exchange rate flexibility speed up current account adjustment?" by Menzie D. Chinn and Shang-Jin Wei (available at: http://www.voxeu.org/index.php?q=node/2632) notes that new thinking questions the validity of the superiority of flexible exchange rate system in facilitating easier current account adjustments to external shocks and imbalances. The research indicates that a fixed exchange rate approach can also support smooth current account adjustments in dealing with external shocks and if such an arrangement was preferred by countries in a potential regional economic grouping, it should be explored as a viable component of an approach to creating a regional monetary zone, a building block for a process of an African currency.

52 In comments on this point shared with a trusted colleague, I received this response: 'I disagree that tax systems need to be uniform. We don't have uniformity among U.S. states or Canadian provinces. The important thing is for the tax system

(and regulations such as labor laws) not to get in the way of growth. Competition among taxing entities is beneficial, in my view, both because it helps keep overall tax rates lower than they otherwise would be and because different governments can experiment with different tax structures to discover which ones least hinder growth. Until you experiment it's not always evident.' To that brilliant point I responded: 'Please know that I do find credible some arguments against tax harmonization and even against the need for strong fiscal coordination in conjunction with a monetary union but decided that I should land somewhere to spark debate inside the AU rather than take a safer 'even-handed approach.' One of the better arguments for monetary unification without coordination among autonomous fiscal powers comes from Roel M. W.J. Beetsma and A. Lans Bovenberg, 'Monetary Union Without Fiscal Coordination May Discipline Policy Makers.' Journal of International Economics, Elsevier, vol. 45(2), August 1998. There are advantages and disadvantages to comparing a united Africa with the United States of America. Where I would differ with my colleague is that although there do exist variable state and sales taxes across the Union, for example, the tax structure of the United States has been significantly harmonized across income, corporate, and capital gains taxes. If this had not been done, say where income tax rates were concerned, inflation would have produced a nominal progression upward along progressive tax brackets œ transmitting variably across the 50 states. This is sometimes referred to as 'bracket creep.'

53 A suggestion made by Robert Mundell in a previously referred to 2002 meeting at the Rome headquarters of the UN's Food and Agriculture Organization could be useful here. In order to cushion the impact suffered by African nations impacted differently by fluctuating commodity prices as a result of their dependency upon a single export product he advised, "A typical small developing country cannot control the prices that can be earned in that product in dollars or in euros or in other important currencies. This means that when commodity prices fluctuate a lot in dollar terms, the country's income goes up or down, and it can be very disturbing to have this volatility in prices. For that reason many countries would like to expand and widen their product range. It would be a very good idea to develop an African Monetary Fund, which would try to put the smaller countries in Africa on a more equal footing with the more advanced, richer countries." Similarly as Africa's tax structures are streamlined and economic diversification evolves, an African Monetary Fund could provide financial support.

54 A snapshot of some of these problems as it relates to the euro, can be found in *Money on the Move: The Revolution in International Finance since 1980* by Robert Solomon œ specifically Chapter 3: "Economic and Monetary Integration in Europe."

55 As African economies move toward income taxation there are three considerations: how high those rates should be; whether or not they should be progressive; and the impact of inflation on tax rates. One should consult two writings by Jude Wanniski, "The Impoverishment of Black Africa,' published at Finalcall.com, Dec. 8, 2003; and "Time For Europe To Cut Taxes,' published Apr. 23, 1985 in *The Wall Street Journals*. In the former we read, — The IMF concluded that the only solution for the four countries it studied was for them to get more foreign aid to support their IMF-advised spending initiatives, or to RAISE TAXES. However, high tax rates promoted by the IMF…are exactly why the four countries are in such desperate shape. It made me angry reading the *BBC* dispatch. When I looked through the tax systems of the four countries mentioned–Ghana, Tanzania, Cameroon and Mozambique– here is what I found: **Ghana**:The top personal income-tax rate is only 30 percent, but that rate is encountered at an income threshold of $5,400 per year. The 20 percent rate hits at $2,700 and the 15 percent rate hits at $270 per year. In addition, Ghanians pay a 12.5 percent Value Added Tax VAT. There is also a "wealth tax," currently suspended, but which could come back at any moment. Even the cloud of a wealth tax discourages the accumulation of wealth. **Tanzania**: The top income-tax rate is also 30 percent, but that rate is encountered at $800 per year of taxable income when the currency conversion is made to dollars. On top of this huge bite out of such tiny income, Tanzanians pay a 20 percent VAT on the goods and services they buy. **Cameroon**: The top personal income-tax rate is 60 percent, which is encountered at a threshold of $12,842 at the current exchange rate. The 30 percent rate is met at $3,424 and the 15 percent rate at $1,200. The VAT takes another 18.7 percent. **Mozambique**: The top personal income-tax rate is 40 percent at $3,500, 27 percent at $1,750, and 15 percent at $438. The VAT is 17 percent. Out of curiosity, I decided to check out Zimbabwe, which has been in the news because of the political strife between Blacks and Whites and the collapse of the economy. The top tax rate of 45 percent is encountered at a little more than $500 annual taxable income, and there is a 30 percent surcharge on top of that!! A tax on a tax! The sales tax, which is said to be converting to a VAT, is at 20 percent for practically all machinery and 15 percent for motor vehicles and most goods and services.These are, of course, not the only taxes in these five countries. There are dozens and dozens of other business taxes and licensing fees in each. IMF economists and Nobel Prizewinners may tell you the reason there is so little tax revenue coming into the tax coffers of their treasuries is that the citizens avoid the taxes by cheating. This is nonsense. The reason there is no tax revenue to support IMF spending projects is that these high tax rates cannot allow capital to form internally, much less attract investment from abroad. Why would anyone risk capital in an economy where the smallest success is confiscated? If you begin an investment footrace facing a series of hurdles, each of which take another big bite out of your production, you can see before you begin that nothing will remain at the finish line." In the 1985 writing we find a not identical, but similar enough depiction of Europe's tax rates prior to moving toward a single currency: — **A Decade of Bracket Creep**. There is plenty of

room for growth in Europe, where unemployment rates remain at depression levels: 13% in Britain, 10.p% in France, 14.1% in West Germany, 14.5% in Belgium and 16.1% in the Netherlands. There is also plenty of room to cut the income tax rates that are smothering the European economies and lengthening the unemployment lines œ after more than a decade of inflationary bracket creep and ill-advised austerity policies: in France, the 50% bracket is encountered at about $21,000. The 67% bracket hits at about $80,000. In West Germany, the 56% top bracket is met at $42,000. Had rates been indexed against the past 15 years of bracket creep, the top rate would not be reached until at least $100,000. In Britain, Prime Minister Margaret Thatcher has gotten the top marginal rates down, but they are still awfully high. The 50% rate is met at about $22,000 (against $81,000 in the U.S.). But there is also a 60% rate at about $36,000. The Italians meet the 50% bracket at $12,500, and when local income tax is included, the 71%bracket hits $62,000, 80%at $250,000. Belgium's top rate is 76% at $64,000; the 55% rate is met at a mere $16,000. In the Netherlands, with the highest unemployment rate in Europe, the income tax rates are now as high as Italy's, 50% at $12,000 and 72% at $12,000 and 72% at $61,000. In Switzerland, with the lowest unemployment rate in Europe at 1.2%, the top federal income-tax rate is 13.2% at $35,000. Even with cantonal and local rates added on, the highest rate is only 46%." Consideration of how African economies can move from an informal economy that is motivated partially by a desire to avoid confiscatory income tax rates, worsened by severe inflation is critical to designing a transition to a single currency. Here a lucid note of explanation regarding the destructive tandem of inflation and progressive taxation is worthwhile. From 'The No. 1 Problem' by Jude Wanniski, published in the Feb. 27, 1980 edition of *The New York Times*, we read: — Inflation œ that is, a decline in the value of money œ causes honest individuals to swindle each other inadvertently. Money, after all, is a medium of exchange. A dollar is a unit of account. Individuals in the marketplace produce apples and oranges, bread and wine, and exchange their surpluses in trade. When the value of the unit of account changes in the midst of transaction, one individual gains at the expense of another. The relationship between effort and reward is weakened. The natural desire to save for the future is frustrated by the erosion of dollar-denominated assets. The individual who lives for the moment is rewarded instead. Progressive taxation – that is, the system in which tax rates increase as income rises – is similarly destructive. The individual faces a system in which increased personal effort yields progressively reduced rewards. The harder you try, the less you get. Again, the system frustrates human nature, weakening the link between effort and reward. Man's instinct, to grow, to expand, confronts an institutional burden. Yes, individuals do work for non-monetary rewards as well, but the impact of steep tax progressions on incentives overwhelms this effect by draining society's vitality….Once we accept the idea that this combination of inflation and tax progressivity is in itself the central problem, the solutions are at hand. Reduce the progressivity of the tax system or eliminate it with a proportionate rate that does not punish extra effort. End the inflation, and with it the notion that inflation is good for the economy, by redefining the dollar in terms of a single commodity, preferably gold since we possess so much of it." But there is more to consider regarding progressive taxation and its benefits. A compelling and insightful case for the benefits of progressive taxation is made by Reuven Brenner in his book *Betting on Ideas*, pgs 66-74. Tracing the origin of progressive taxation to Bismarck, Brenner examines the possible social insurance and crime reduction impact of a progressive tax. Brenner's arguments, however, should not be confused with advocacy for bracket creep.

56 E-Letter To Orla Ryan and *BBC* RE: "The burden of Uganda's business tax", "Cedric Muhammad, BlackElectorate.com, January 14, 2003.

57 "Trade Facilitation to promote Intra-African Trade," UN Committee on Regional Cooperation and Integration, Fourth Session, Addis Ababa, Ethiopia, 24-25 March 2005.

58 According To Africa Action's website (http://africaaction.org/): "Sub-Saharan Africa receives $10 billion in aid but loses $14 billion in debt payments per year. In Burundi, elimination of education fees in 2005 allowed an additional 300,000 children to attend school. While more than 80 million Nigerians live on less than $1 per day, in 2005 Nigeria agreed to pay over $12 billion to the Paris Club of creditors in exchange for partial debt cancellation. In 2003, Zambia spent twice as much on debt repayments as on health care. But partial debt cancellation allowed the government to grant free basic healthcare to its population in 2006. Between 1970 and 2003, African countries received about $540 billion in loans and paid back $580 billion in debt service, yet the continent is still saddled with a crippling $330 billion in external debt. This burden of debt diverts money directly from spending on health care and other important needs. In 2003, African countries paid over $25 billion in debt service fees, even as 2.3 million Africans lost their lives to AIDS. In Angola, about 240,000 people live with HIV/AIDS and yet that country spent $106 per capita on foreign debt payments and only $38 per capita on health. Even if the Group of 8 (G-8) proposal to cancel the debts of 14 African countries were immediately implemented, it would have no effect on the majority of African countries, who will still spend more on debt service than on vital social services."

It should be noted that even under IMF and World Bank supervision, countries participating as instructed under the Debt Relief Under The Heavily Indebted Poor Countries Initiative (HIPC) are still not receiving promised relief. The October 2008 IMF fact sheet published on the IMF website states: —Another challenge is to ensure that HIPCs get full debt relief from all their creditors. Although the largest creditors (the World Bank, the African Development Bank, the IMF, the Inter-American Development Bank, and all Paris Club creditors) provide debt relief in line with their commitments under the HIPC Initiative, and even beyond, other are lagging behind. Smaller multilateral institutions, non-Paris Club official bilateral creditors, and commercial creditors, which together account for about 25 percent of total HIPC Initiative costs, have only delivered a small share of their expected relief so far. Non-Paris Club bilateral creditors as a whole have delivered about 40 percent of their share of HIPC Initiative debt relief, but close to half of these creditors have not delivered any relief at all. The delivery of HIPC Initiative relief by commercial creditors, although still low at an estimated 33 percent, has increased markedly in recent years through a few large operations. A number of commercial creditors have initiated litigations against HIPCs, raising significant legal challenges to burden sharing in the context of the Initiative. Given the voluntary nature of creditor participation in the HIPC Initiative, the IMF and the World Bank will continue to use moral suasion to encourage creditors to participate in the Initiative and to deliver fully their share of HIPC Initiative debt relief."

59 Africa Action makes distinctions of the different forms of Africa's external debt which it believes should be forgiven on the grounds that such debt is odious, illegitimate, and unsustainable: Africa's foreign debts were mostly incurred by unrepresentative and despotic regimes during the Cold War years. With the complicity of creditors, these loans were used for purposes contrary to the interests of African nations. This is known as ***odious*** debt. The Bush Administration has declared Iraq's $120 billion foreign debt to be odious by this definition and is aggressively promoting its cancellation. The refusal to acknowledge the odious nature of Africa's debts reveals a harsh double standard based on geopolitics and opposed to justice. Many loans that were made for development projects or contracted by legitimate governments should also be considered ***illegitimate*** in nature because the projects were poorly conceived, imposed by creditors, and benefited foreign or corporate interests over the interests of African people. Many loans were spent on projects and economic reforms that were harmful to people, communities and the environment. In other cases the economic conditions of loan agreements further impoverished the recipient nations." Another source depicting the 'illegitimate' nature of African debt is John Perkins, who details his experience with such, in his books, *Confessions of an Economic Hit Man* (2004) and *The Secret History of the American Empire* (2007).

60 To this a trusted colleague responds, "Here you need to distinguish among countries. A few countries are net external creditors…I don't see a new round of debt forgiveness having much appeal with donor countries unless African countries say at the same time they also don't want to accept any more government-to-government foreign aid."

61 Aid Dependence in Africa is an enormous problem. An insightful new book devoted to the subject has just been published, *Ending Aid Dependence* by Yash Tandon. In the book's opening, Former President Of Tanzania's Benjamin W. Mkapa's challenges the OECD's Paris Declaration on Aid Effectiveness and warns African nations against endorsing the Accra Action Agenda offered by the OECD, stating, 'If adopted, it could subject the recipients to a discipline of collective control by the donors right down to the village level.' An August 31, 2008 posted review of Tandon's book, by Rasnah Warah published in Kenya's Daily Nation newspaper and titled, "Its time to wean ourselves away from donor aid," asserts "Tandon's views are not as radical as those of 'post-development' advocates such as Susan George and Arturo Escobar, among others, who argue that aid is just another form of colonialism and should be done away with completely. These views have been articulated by various East Africans in the recently-published anthology (edited by yours truly) called Missionaries, Mercenaries and Misfits. In this book, prominent writers, academics and activists, including Issa G. Shivji, Bantu Mwaura, Onyango Oloo, Firoze Manji and Sunny Bindra, present an African perspective on the aid industry and why it has failed to lift millions of people out of poverty. Bindra argues that "far from being productive or necessary, the donor-dependent relationship most often ends in mutual hatred' and that by and large, countries that have ignored donor prescriptions have prospered. SHIVJI, A LEFTIST TANZANIA SCHO-lar, says that aid wrenches policy-making out of the hands of African countries and into the hand of donors, which in effect makes these countries impotent bystanders, rather than active participants, in nation-building. Shivji even goes so far as to claim that the rapid rise of NGOs in Africa "is part of the neoliberal organisational and ideological offensive' that began in the 1980s with the adoption of SAPs Manji argues that current models of development assistance breed and sustain inequalities in Africa because they are framed, not in the language of rights or justice, but "with the vocabulary of charity, technical expertise, neutrality and a deep paternalism'… One of the shortcomings in Tandon's book is that it does not show how countries such as Malaysia, Singapore and Brazil weaned themselves off aid or what policies or strategies they employed to dramatically boost living standards and reduce poverty levels. In many of these countries, committed leadership made all the difference, not democratic institutions. Often, it is not 'people-centred democracy' that delivers high per capita incomes and reduced poverty levels, but visionary dictatorship as the Singaporeans and Chinese will attest." The author of this paper believes the AU Commission and First Congress of African Economists should invite Mr. Yash Tandon and other aid experts for a forum on this subject as it relates to the impact on African monetary policy.

62 Here, also, the instructive example of the early United States of America and its first Treasury Secretary Alexander Hamilton and may offer guidance. The Continental Congress, the Confederation government and the separate states of America had accumulated separate and foreign debts prior to and during the Revolutionary War that achieved independence from Britain. The earliest economic debates of the young nation centered around whether or not the federal government of a United States of America should assume the debts of its member States, or not. Those states that feared a powerful central government

were opposed to, or at least suspicious of the federal government taking such action. They were initially led by Thomas Jefferson and James Madison. Alexander Hamilton argued in favor of assumption on the grounds that it would establish America's public credit, strengthen the central government of the new nation, remove the burden of tax collection from the states, and avoid the accumulation of an oppressive debt to foreigners (and thus limit their undue influence in American affairs, at a local level) by the fledgling states and their smaller economies. In an Apr 5, 1984 opinion editorial by Jude Wanniski, 'How Alexander Hamilton Financed a Massive U.S. Debt,' published in *The Wall Street Journal*, we read, "The problem the government faces now is similar to that faced in 1790 by Treasury Secretary Alexander Hamilton. The operating budget ran a mere $600,000 annually, but the national debt of $52,100,000 cost $4,587,444 in annual interest. Expenditures far exceeded revenue of $1.5 million. Hamilton knew he could not raise tariffs, which would damage commerce without yielding new revenues. The only solution was to refinance with longer maturities at lower rates, which required building the government's credit with domestic and foreign creditors. A gold standard was central to Hamilton's elaborate financing scheme, the commitment to redeem all national and state debt in gold dollars enabling it to refinance and borrow at 4%."

Here is a more detailed account of The Assumption Plan, debate, and Alexander Hamilton's economic policies from Answers.com, "Hamilton's Economic Policies:"

"In 1789, Congress created the Department of the Treasury, including the cabinet post of secretary of the Treasury, and required the secretary to report directly to Congress. President George Washington appointed Alexander Hamilton as the first secretary of the Treasury.

During 1790 and 1791, Hamilton embarked on an ambitious plan of economic nationalism. He intended the plan to solve the economic problems that had plagued the United States since the American Revolution and to provide the means to defend the new republic. Beginning in January 1790 with the "Report on the Public Credit," he advanced his plan in a series of reports to Congress. His plan contained seven central elements.

Foreign Debts

The first element called for paying off in full the loans that foreign governments had made to the Continental Congress during the Revolution. In 1790 the principal on these loans amounted to roughly $10 million. The United States owed two-thirds of these debts to France, one-third to the Netherlands, and a small amount to Spain. In addition, unpaid interest of about $1.6 million had accrued. Hamilton proposed that the federal government pay the interest out of tax revenues and borrow, over a fifteen-year period, enough capital to repay the principal of the loans. No one in Congress or the administration challenged Hamilton's arguments that the United States had a legal and moral obligation to pay off these debts, and that it had to do so in order to establish the credit of the United States, and its citizens, in European financial markets.

Domestic Debts

The second element was more controversial. This was Hamilton's proposal for repaying the debts that the Continental Congress and the Confederation government had incurred by borrowing domestically–that is, from individuals and American state governments. These debts, amounting to about $42.4 million, had resulted from the selling of bonds to supporters of the Revolution and the issuing of various notes to pay soldiers and farmers and merchants who had supplied the revolutionary armies. This proposal consisted of two parts.

First, Hamilton recommended —redemption" of the debt at full value. By "redemption," he meant offering to trade the complicated morass of notes and bonds of varying durations and interest rates for new, long-term federal bonds. These new securities would pay fixed, attractive rates of interest. Second, Hamilton recommended that the federal government maintain this new debt as a permanent feature of the fiscal landscape. To demonstrate the commitment of the federal government to maintaining the value of this permanent debt, Hamilton proposed creating a "sinking fund," based on the method used by the British government to manage its debt. The Treasury would establish this fund within a national bank (which Hamilton promised to propose soon) and supply it with surplus revenues of the post office and the proceeds of a new European loan. A management committee consisting of the secretary of the Treasury, the vice president of the United States, the speaker of the House, the chief justice, and the attorney general would then use this fund to purchase public securities if they circulated below their par value. In so doing, the committee would maintain a floor under the price of these securities.

Hamilton believed that the two parts of the plan would work together. The plan would create a class of wealthy citizens who, because they were long-term creditors of the new national government, would be loyal to it and take an active interest in its affairs. As a consequence, the central government would be strong and able to finance wars or fund major national projects. In addition, the permanent debt, because its owners could readily convert it into money or other assets, would provide capital to meet the needs of an expanding economy.

Members of Congress generally agreed with Hamilton that the new federal government had a legal obligation to pay the domestic debts that the Confederation government had incurred. Article VI of the Constitution provides that "All Debts contracted… before the Adoption of this Constitution, shall be as valid against the United States under this Constitution, as under the Confederation." But many in Congress, including James Madison, argued that the federal government ought to negotiate down the domestic debts and take into account the interests of those who had first owned the securities. Critics pointed out that the inflation of the war years and the depressed conditions of the 1780s had forced many of the original owners, including revolutionary war soldiers, to sell them at substantial losses. The speculators, including wealthy American merchants, Dutch investors, and even British investors, who had bought these deeply discounted notes, stood to reap huge windfall gains under Hamilton's redemption program. The critics wanted Hamilton to scale back the redemption of debts held by speculators and provide some compensation to the original owners of the domestic debt. Madison proposed offering speculators only "the highest price which has prevailed in the market" and distributing the savings to the original owners.

Hamilton, however, believed that the federal government would be unable to determine who had been the original owners of federal securities. Moreover, he was convinced that the best way of demonstrating the trustworthiness of the federal government was to pay back the debts at something close to their full value. This demonstration was necessary, Hamilton was certain, in order for the federal government to borrow in the future without having to pay excessive rates of interest. Hamilton was persuasive, and nearly half of the members of the House of Representatives owned the domestic debt that Hamilton sought to redeem. In February 1790, the House voted down Madison's plan.

Debts of the States

The third element of Hamilton's policies was the proposal that the federal government take over the $25 million in debt that the state governments had accumulated during the Revolution. With this "assumption" program, Hamilton sought to strengthen further the nation's financial reputation, to bolster the nation's stock of capital, and to enhance the financial power of the federal government.

All of the states had debts from the war, but their efforts to pay off the debts had varied greatly. Massachusetts and South Carolina had been sluggish in paying off their war debts and had much to gain from assumption. Four southern states–Georgia, North Carolina, Virginia, and Maryland–had been aggressive in paying off their debts. For them, assumption threatened to be costly, requiring them to subsidize the plan through new federal taxes.

Secretary of State Thomas Jefferson was worried about the cost of assumption, and about Hamilton's political intentions. To Jefferson, assumption threatened the Republic by dangerously centralizing financial power. Madison agreed with Jefferson, and in April 1790 they were able to defeat assumption in its first test within the House of Representatives. By July, however, Madison and Jefferson had softened their opposition. For one thing, Hamilton had lowered the assumption program to $21.5 million and agreed to adjust the accounts so that Virginia's net payments to the federal government would be zero. For another, he agreed to support moving the nation's capital from New York to a site in Virginia on the banks of the Potomac River after a ten-year interlude in Philadelphia. Madison and Jefferson hoped the move would stimulate economic development of their state, weaken the kind of ties that Hamilton sought to promote between the federal government and the financial elites of New York and Philadelphia, and bring the government more under the influence of Virginia's leaders. In addition, Madison and Jefferson became worried that if the fledgling government failed to pass a funding bill the divergence of sectional interests might break up the new union. They allowed southern votes to shift to support for Hamilton's plan for assumption of the state debts, and in July it won congressional endorsement in what historians later called the Compromise of 1790."

63 In a December 4, 2000 opinion editorial, —Pay Off the Debt Or Cut Taxes? —published in *Barron's*, Stephen W. Shipman wrote: Nearly 200 years ago England vanquished Napoleon. At the conclusion of fighting in 1815, Great Britain had generated huge debts that arose from the successful prosecution of the French Wars. Government spending climbed more than 300% during the war years, and accumulated budget deficits facing the Tory government of Lord Liverpool reached 200% of gross domestic product. But with the return of the troops and subsequent demilitarization, a surplus emerged. Thus began the modern era's first great debate over tax cuts and debt reduction. Parliament and the government addressed fiscal policy in a disorganized fashion. Then, as now, discussion split Parliament into two camps: those favoring dramatic tax reduction and the others for debt repayment. Both the Tory government and the opposition Whigs counted members in each camp. Liverpool's early cabinet was divided as well. Despite a debt burden of 900 million, the government and its cabinet could not keep Parliament from taking immediate action to cut taxes. In 1816 Parliament voted 238 to 201 to revoke the 10% income tax imposed during the war (a reduction of 14 million) and later voted to eliminate the malt tax (a further reduction of 6 million). Since the final war budget was some 78 million, many officials concluded that the absence of these two sources of revenues would constrict the affairs of state no matter how much military spending was curtailed. Chancellor of the Exchequer Nicolas Vansittart spent the first few years after the immense tax cut attempting to raise various duties and to cut others while restructuring a 16 million annual obligation of a sinking-fund scheme that was created by the Pitt government. The British economy boomed. Government revenues barely receded, averaging some 55 million -- just slightly below the revenue projections following the 1816 tax reductions. Production in the economy accelerated sufficiently to replace the "lost" revenues. The resilience of the ensuing economic growth confounded most politicians and nascent economists of that day. Decades later British historian Stephen Dowell would comment that "the statesmen of the day had not as yet appreciated the fact that [tax] remission and financial reforms would in the end do more for revenues, and for the reduction of the debt [emphasis added], than the mere retention of oppressive and vexatious burdens." This early period of postwar reform was prelude to even more important changes in tax policy. In 1823 Liverpool overhauled his cabinet to implement additional reductions. He started by promoting Frederick John "Prosperity" Robinson

as chancellor of the exchequer and by appointing William Huskisson, previously an assistant to Vansittart, as president of the Board of Trade. The significance of these promotions should not be discounted. Huskisson, arguably the most important of the appointments, was one of the outspoken junior ministers who had urged Liverpool to support tax reductions and to embrace monetary reform rather than repayment of the national debt. He was the government's most articulate spokesman for fiscal reforms, and he conversed and debated easily with MPs like David Ricardo about the political economy. Running the Board of Trade from 1823 to 1827, Huskisson established an aggressive policy of liberalized trade as the government's primary effort to cut taxes. Such indirect taxes accounted for almost all of Britain's revenues. He assiduously reduced duties and excise taxes in 1824 and '25 on coal, wool, iron, coffee, hemp, wine, rum, silk and myriad other items. He argued that trade unencumbered by heavy taxes would "disentangle Britain from those inefficient branches that impede rather than promote economic well being." He rewrote trade and navigation laws dating back as far as the 14th century. During his tenure, taxes were reduced a further 12 million. Yet government revenues again remained remarkably stable, falling only to 54.5 million in 1826 from 55.5 million in 1824."

What happened to the national debt? The government indeed repaid very modest amounts of the 900 million; it whittled the debt down to 820 million by 1824, a reduction of only 9% over the eight-year period. The majority of principal repayments occurred early in the Liverpool government, before the final reorganization of the sinking fund. At the end of Huskisson's tenure as Board of Trade president, the national debt had shrunk to a much smaller and more manageable percentage of the gross domestic product.

Clearly all evidence suggests and the record demonstrates that Great Britain's phenomenal economic expansion following the French Wars derived from a policy mix that favored top-line production over balance-sheet austerity. The people of Britain, its laborers and entrepreneurs alike, responded by creating so much wealth that the government never again really worried about its debt burden. In fact, the Whigs adopted the postwar success of the Tories regarding fiscal reform and extended further tax reductions well into the 1830s. Their combined successes ultimately enabled Robert Peel to eliminate the Corn Laws in 1846, a most momentous tax reform that allowed Britain to dominate both financial and commercial markets throughout the remainder of the 19th century.

64 In his December 4, 2008 *Forbes* magazine article, "Printing Press," Steve H. Hanke writes, "In the absence of good official numbers, I've developed my own hyperinflation index for Zimbabwe. I derive it from market-based price data starting in January 2007. The index tells us that Zimbabwe's annual inflation rate recently peaked at 80 billion percent a month. That means around 6.5 quindecillion novemdecillion percent a year--or 65 followed by 107 zeros. To get a handle on it, realize that it's equivalent to inflation of 98% a day. Prices double every 24.7 hours. Shops have simply stopped accepting Zimbabwean dollars. Where does this place Zimbabwe in the hyperinflation record books? Episodes of true hyperinflation are rare. They occur only when the money supply has been fed by an unconstrained printing press. No hyperinflation has ever been recorded when money was based on or convertible into a commodity. The first hyperinflation happened during the French Revolution. There were 28 other hyperinflations before Zimbabwe's, all in the 20th century. The U.S. has had none of them. It came closest during the Revolutionary War, when it churned out Continental currency to pay the bills. The peak monthly inflation rate then was 47.4%, in November 1779. During the Civil War greenbacks were printed to finance the fighting, and inflation peaked in March 1864 at a monthly rate of 40%…The famous German episode was only the fourth-most virulent. It wasn't even close to the Yugoslav experience under Slobodan Milosevic. Mugabe's mess now tops Yugoslavia's, and if it continues to grow at its current rate, it will overtake Hungary's world record in little more than a month."

65 *AFP*, "Inflation-wracked Zimbabwe issues 100-million dollar note," Dec. 3, 2008

66 Zimbabwe Observer, "Zimbabwe's Economy To Be 'Randified'- RBZ," January 27, 2009. This proposal, if it were to set aside its floating exchange rate regime and incorporate the fixed parallel exchange rate regime outlined in this paper could achieve its goal of strengthening the Zimbabwe dollar. Its immediate benefit is that it provides the people of Zimbabwe a stronger currency – the South African rand – than the Zimbabwe dollar. Allowing the market to determine the rate between the South African rand and the Zimbabwe dollar, is most likely to weaken the domestic currency not strengthen it, as currency markets in Zimbabwe are so thin, a single speculator could easily force continued devaluation. A better approach, would be for the South African rand and Zimbabwe dollar to circulate side-by-side at a fixed exchanged rate under a parallel currency regime, as part of a larger transition effort toward a single currency for the entire region. As it is currently managed, the South African rand does not qualify as a single currency for the region. For more supporting this conclusion see "The Fall of The South African Rand: Placing Blame Where It Belongs" by Matt Sekerke and Cedric Muhammad, BlackElectorate.com, Jan. 22, 2002.

67 See Hiraan Online, "Using The US Dollar Could Halt the Manmade Somalia Hyperinflation," April 21, 2008

68 "Libya: An End to Isolation?" *National Geographic*, November, 2000.

69 "The Birth of The African Union," *Final Call*, Internet Edition posted July 24, 2001.

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