

Funding the Future

Article URL

Published: January 12, 2026, 5:05 pm

In 1944, Lord Keynes proposed that the post-war settlement should include the creation of a new currency to be used solely for international settlement purposes.

The aim was to prevent any country from enjoying the privilege of issuing the world's reserve currency, as the UK had done and as the USA was by then doing.

This new currency he called the Bancor. Not having time to summarise the proposal this morning (I have a long day out ahead of me), I asked ChatGPT to undertake the task, and it offered this, which seems like a fair summary to me:

*Lord John Maynard Keynes proposed the idea of an international reserve currency called **Bancor** during the negotiations that led to the **Bretton Woods Conference** in 1944. His proposal aimed to address global trade imbalances and promote a more stable and equitable international monetary system.*

Here are the key features of Keynes' Bancor proposal:

🔹 1.

Creation of a Supranational Currency - Bancor

*

Bancor would be a unit of account used for international trade and settlement.

*

It would not be issued by any single country but by a global central clearing union.

*

Bancor would not be used domestically but only for international

transactions.

🔹 2.

International Clearing Union (ICU)

*

A new global institution, the International Clearing Union, would manage Bancor issuance and settlement of international balances.

*

All trade would be settled in Bancors, rather than gold or national currencies like the dollar or pound.

🔹 3.

Balanced Trade Mechanism

*

Keynes wanted both surplus and deficit countries to bear responsibility for correcting trade imbalances.

*

The ICU would impose penalties on both:

*

Countries with persistent deficits (who draw too much Bancor)

*

Countries with persistent surpluses (who hoard Bancor and restrict global liquidity)

*

This was revolutionary: surplus countries, like the U.S. at the time, would also be pressured to adjust.

🔹 4.

Exchange Rate Stability

*

National currencies would be tied to Bancor but adjustable with permission from the ICU.

*

This would allow for some flexibility, unlike the rigid gold standard.

🔹 5.

Credit Lines and Overdraft Facilities

*

Countries could have overdraft limits with the ICU, giving them temporary liquidity without immediately depleting reserves.

*

This would help smooth out short-term trade deficits and avoid painful domestic adjustments.

✳️ Why It Didn't Happen

*

The U.S. opposed the Bancor idea, preferring a system based on the U.S. dollar as the primary reserve currency.

*

The Bretton Woods system ultimately used the dollar (convertible to gold) as the anchor instead of Bancor.

📌 Legacy and Relevance

*

The Bancor idea has inspired later proposals, such as the IMF's Special Drawing Rights (SDRs).

*

Some economists and policymakers revisit it when debating global financial reform, especially during crises that highlight the flaws of a dollar-centric system.

Is that what the world now needs? I suggest it is.

Would that have also, perversely, have solved the problem that Trump thinks the US now suffers from of having massive trade imbalances? Yes, it would.

Who opposed it? The US did.

How to create it? I think that might be easy: the world should swap its dollars for bancors, providing the new currency with reserve balances as a result.

This might be a theme to return to.