

# Financial imbalances, wars and the international monetary order

Rosaria Rita Canale

[rorita.canale@uniparthenope.it](mailto:rorita.canale@uniparthenope.it)

Claudio Cozza

[claudio.cozza@uniparthenope.it](mailto:claudio.cozza@uniparthenope.it)

Wars all over the world have been fuelled sometimes by the intention of grabbing natural resources and exploiting worse labour conditions abroad, sometimes by guaranteeing the stability of finance, with a dangerous interconnection with the political power. The aim of this paper is to read the dynamics of international imbalances from a financial perspective through the lenses of history and to clarify how they gave rise to the current conflicts. The underlying idea is that the financial market dynamics and the geopolitical interests have fuelled wars in the attempt to preserve the pre-existing threatened order. The current scenario seems to be able to be interpreted through the conflict between United States and emerging powers – like China or Russia – with the intention of the former to preserve the economic dominance acquired since the end of the Second World War and of the latter to gain growing influence in the global scenario. In a context in which there are no mediating powers and credible supranational institutions equipped with effective tools, conflicts are destined not only to continue, but unfortunately also to spread until either a global war or a division of the world in two “balanced” spheres of influence.

## 1. Introduction: the economic roots of war

Not only economists and political scientists of various theoretical backgrounds, but also by the man in the street recognize that economics plays an important role when war breaks out. When, however, it is necessary to explain in detail what the 'economic roots of war' means, everything becomes more confused.

Investigating the economic roots of war means to conduct an in-depth analysis of many aspects strictly intertwined, since they represent a unified whole. Wars all over the world have been fuelled sometimes by the intention of grabbing natural resources and exploiting labour conditions abroad, sometimes by guaranteeing the stability of finance, with a dangerous interconnection with the political power. The aim of this paper is to read the dynamics of international imbalances from a financial perspective through the lenses of history and to clarify how they gave rise to the current conflicts. The underlying idea is that the financial market dynamics and the geopolitical interests have fuelled wars in the attempt to preserve the pre-existing threatened order. They mirror capital accumulation tendencies inside the frame of geopolitical powers. When the

accumulation of capital - which does not care about borders - come into conflict with political balances, wars brake out.

This conflict is detectable in financial imbalances registering what characterised the world economy immediately before a breakout of a conflict. This contradiction emerges since the 1870s, during the period considered the first great world economic depression (roughly 1873-1895) when, the capitalist economy moved from its competitive phase of small enterprises to the first concentration of production in a smaller number of increasingly larger capitals. This increase in the size of economic actors and the centralisation in their hands of gradually increasing shares of national production - first in England and soon after in the United States - led to a reduction in opportunities for profitable investments at home. As Hobson reminds us in his essay on imperialism (1902), in those countries the 'manufacturing activities were saturated with capital and could absorb no more'. It was necessary, that is, to find new profitable outlets for that capital: again, for Hobson it was 'no exaggeration to say that the modern foreign policy of Great Britain has taken the form, above all, of a struggle to capture profitable investment markets'. And this was by good means or bad, i.e. by war.

But who finances this war? The state, influenced directly or indirectly by the most powerful lobbies: "the financial, industrial or professional classes who [...] used their political power to extort these huge sums from the nation in order to improve their investments abroad and open up new fields of employment for their capital and find convenient markets for their surplus goods". The economic root seems therefore to be, at the turn of the 19th and 20th centuries, the industrial one, with the imperialist expansions representing the first phase of what we now call globalisation. But then finance and money have nothing to do with it?

In fact, Hobson himself immediately adds the relevance of finance - especially public finance - in sustaining war. And after him even clearer emphasis is placed on finance by Hilferding (1910) who shows how monopolistic concentration manifests itself as both concentration of production and concentration of capital. This means that 'an increasing part of industrial capital no longer belongs to the industrialists. The capital is only made available to them through the bank'; which, in turn, 'must employ an ever-greater part of its capital in industry and, in this way, it becomes in ever greater proportions an industrial capitalist' (Hilferding, 1910). This is the formation of the financial capital that Lenin (1917) later defined as the 'fusion of banking capital with industrial capital'. And which today appears in the form of the large financial holdings that control almost the entire world economy.

Are we then to conclude that since finance dominates, the industrial root of war, i.e. the search 'by force' for new territories in which to make profitable investments, no longer counts? World

high finance is not something different from the competitive 'real economy' of the 19th century; rather, it is an evolution of it. To understand the crucial relevance of finance and money in directing the political choices of war, therefore, we had first to tell how it came about: "as soon as the capitalist mode of production took the form of finance capital, a particular type of state power also emerged, the robber imperialist state with its centralised military apparatus. The social role of war consisted in the extension of the domination of finance capital, with its industrial monopolies and banking cartels' (Pala, 2005). However, monopolies and banking and finance cartels are not forever. Because of the evolution and transformation of global industrial and financial innovation, new powers emerge in search of a new domains and new equilibria (O'Hara, 2022 for a brief description o alternative phases of capitalism).

The current global scenario seems to be able to be interpreted through the conflict between United States and emerging powers – like China or Russia – with the intention of the former to preserve the economic dominance acquired since the end of the Second World War and of the latter to gain growing influence in the global scenario. In a context in which there are no mediating powers and credible supranational institutions equipped with effective tools, conflicts are destined not only to continue, but unfortunately also to spread until either a global war or a division of the world in two “balanced” spheres of influence. The paper is organized as follows: section 2 briefly recalls the emergence of financial capitalism during the previous century in the light of the rise of the British international power until the breakout of the second world war. Section 3 examines the post-war Bretton woods agreements and how they represent the foundation of the ever-increasing power of the United States at a global level while section 4 describes how the neoliberal paradigm – representing the consensus in those years – widely contributed to consolidate that power. Section 5 concentrates on more recent times highlighting the fragilities of the international financial order based on the US dollar as reserve currency but threatened by the emergence of new capitalist powers in search of “autonomy” and higher returns. Section 6 draws possible future scenarios and explains that as in previous waves of financial and capitalism dynamics, a new form of balancing is needed to remove the threat of a third world war.

## **2. Conflicts and the international monetary order: birth and consolidation of the British hegemony**

The connection between financial accumulation, capitalism and political power arose with the emergence of national states in Europe. Between the 16th and 17th centuries – recognized as the

period in which the discipline of political economy was born, the mercantilist theory made its way among the great European powers (especially England and France). This theory saw the accumulation of precious metals – arising from a constant surplus in the trade balance - as the main source of a nation's power as it was considered a mean to exert pressure on neighbour nations. This belief was soon undermined by the inevitable effects that an excess of money in circulation within a country had in making it lose competitiveness through the effects on internal prices. Despite at the beginning prevailing did not recognize the adjustment mechanism, it reduced the excess of exports over imports from which that accumulation came. Furthermore, the growing role of finance - in what could then be called the 'world economy' - required that the currency had a stable value and that it guaranteed the validity of contracts. Therefore, not only the pure accumulation of gold was recognized as necessary, but especially the ability to manoeuvre those gold reserves hoarding to consolidate the dominance within the international trade flows. Thus, the convertibility of money into precious metals was ensured in several European countries, but the “winner” was the United Kingdom for reasons related to its dominance over the world economy. The Bank of England was born and became - de facto - the bank for all countries that had chosen to peg their currency to gold. In 1870 - when capitalism as we know it today began to take shape - the gold standard was born, anchoring the major international currencies to a fixed amount of gold, held in the form of reserves at the central bank. A system of fixed exchange rates (if currencies are convertible into gold at a fixed rate, it follows that currencies are also convertible into each other at a fixed rate) was supposed to ensure the stability of the internal value of money and the balance of payments equilibrium.

It was evident, however, that the system worked as long as gold was available: this ensured convertibility and gave confidence to the financial system, which was experiencing a period of great expansion in those years. It was also evident that the adjustment in the event of an excess of monetary circulation with respect to the amount of gold 'contained' in the currencies, had to fall on the shoulders of more fragile countries that had to implement restrictive fiscal and monetary policies to re-establish the internal value of the currency.

But faced with the need to issue debt and to find financial and monetary resources to finance the war, the 'Gold Standard' came to an end. In 1914 currency convertibility was abandoned to make way for the war economy, i.e. a symbiotic relationship between finance and states in order to support - the former for profit, the latter for political reasons - the production of armaments.

At the end of World War I, a new attempt was made to ensure the convertibility of currencies into gold, imposing draconian 'austerity' measures that were supposed to ensure a return to international stability. In 1924, after the Weimar Republic, Germany returned to gold

convertibility, in 1925 England, in 1927 Italy. Monetary restriction policies, necessary to lower prices, hit wages and raised interest rates on bank loans, leading to a collapse in demand and dramatic living conditions. The depression that hit the entire world economy from 1929 onwards - which most countries tried to remedy with disinflationary policies - revealed the fallacy of this attempt and made it clear that imposing such heavy war reparations on the defeated countries would not only fuel new conflicts but would also make any attempt by Germany's creditors to have their loans repaid futile. Never was Keynes' prophecy in *The Economic Consequences of the Peace* (Keynes, 1919) more valid.

The United States deviated from this blind disinflation policy and with the New Deal (1933) - a vast programme of economic support by the federal government - favoured domestic income and employment. The dollar abandoned parity and devalued its currency causing further pressure on the balance of payments in Europe, but supporting the industrial expansion of the United States that would last at least until the emergence of the economic expansion of China.

In 1944, the Second World War broke out: it led to such destruction in Europe that the rules of world order had to be rethought in search of strategies in which external imbalances could not be sources of conflict. The solution found, responded mainly to the needs of the new world power, the United States.

### **3. The monetary order at the end of the Second World War: Keynes and the Bretton Woods agreements**

At the end of the Second World War, the victorious powers came together to agree on a new institutional set-up that could balance the different requirements. However, the dynamics of finance and the balance of power between the states influenced the final solution. Keynes was the representative for the United Kingdom and White for the United States. They presented two different positions: the former that of the UK, a country heavily indebted to foreign countries, and the latter that of the US, which had high foreign credits. The basic idea was to create a fixed exchange rate area that would facilitate commerce and the growth of international trade.

At the heart of Keynes' proposal was the creation of an international currency area (International Currency Union - ICU) and a payments system that would facilitate the goal of full employment. The *bancor* - this was the name chosen for the new currency - was to have a fixed parity with the currencies of the participating countries (through at least nominal convertibility to gold). At the centre was to be a system of connections between the central banks that would have recorded the surpluses and deficits of the participating countries' balances of payments without passing

through the balance sheets of companies and private banks in the respective countries. This would have ensured that surplus or deficit money would have been compensated within the area in the balances of the national central banks. Aware that capital movements can give rise to strong instabilities and currency crises, Keynes believed that controls on short-term financial movements and a symmetrical compensation mechanism should be introduced: countries with large current account surpluses should ensure that their credits were invested in deficit countries, raise wages or implement expansionary fiscal policies. Symmetrically, deficit countries were supposed to implement restrictive measures to contain the excess of external deficit. However, the contribution of the surplus countries would have ensured that the adjustment path would have been quick and painless. In sum, the rules for the functioning of the ICU designed by Keynes ensured that there were no idle balances, but rather that they were used for the purpose of promoting the shared growth of the entire ICU (Keynes, 1942, in Horsefield, 1969, Whyman, 2015, Alessandrini and Fratianni 2009).

In the bargaining, the 'White' plan prevailed, which gave rise to the 'Bretton Woods' agreements. The agreements reflected the growing dominance that the United States was acquiring in the international arena, in what is considered the second wave of economic globalisation, the multinational phase of imperialism. A phase that was, however, 'unipolar' and headed by the United States.

Thus, the Gold Exchange Standard was born in 1944. National currencies were convertible at a fixed parity against the dollar, which in turn was convertible into gold at a fixed value. The participating currencies were thus linked by cross rates resulting from their parity with the dollar. The main objective was to prevent competitive devaluation and promote economic growth in a coordinated policy environment. The Federal Reserve, because of the large amount of gold it held and the hegemonic role of the dollar, acted as the 'Central Bank' of the Bretton Woods countries. With respect to Keynes' proposal, it immediately emerges that 'neutral' institutions are not created with respect to the participating countries, but the way is opened for dollar dominance. Compared to Keynes' proposal, there were also no symmetrical compensation systems, but only the possibility of devaluing currencies to help rebalance the balance of payments (in 1967 the British pound was devalued by about 15%, in 1969 the French currency lost more than 10% of its value, while the German mark was revalued accordingly). Finally, restrictions were introduced on the movement of goods rather than capital movements. Instead of building up an international monetary system based on compensation mechanisms and equal footing as suggested by Keynes with the ICU, the White plan contributed to the birth and to the progressive consolidation of the dollar as an international currency (Iancu et al.2022)

The operating rules of Bretton Woods turned out to be, thanks mainly to the US interest in having a political counterweight to the Soviet Union, an instrument of development for the participating European countries. The Marshall Plan channelled enormous amounts of US capital into war-torn Europe and enabled high living standards and growth rates to be achieved.

The fixed exchange rate system - built through dollar convertibility - turned the US currency into the international reserve currency, i.e. the currency in which international transactions took place. However, the enormous amount of capital, created by the US banking system and injected into western economies through the Marshall Plan, gradually undermined the convertibility of the dollar into gold, increased inflation and weakened the competitiveness of the US economy. As in other fixed exchange rate systems of the previous century, the return of the dollar's convertibility to its previous parity with gold would have required draconian fiscal and monetary 'austerity' measures that the United States had no intention of implementing. By now, American dominance over the world economy was achieved, the dollar dominated international transactions and became, at least to this day, the international reserve currency.

The fixed exchange rate was abandoned and the world economy - if we exclude part of Europe - found itself in flexible exchange rates, a new regime designed to compensate for external shocks and quickly absorb balance of payments imbalances. The automatic mechanism, which should have acted through the mutual supply and demand of all currencies in the market, 'jammed' because of the now preponderant demand for dollar-denominated liabilities. Thus, it was that the dollar became consolidated worldwide as the international reserve currency.

The advantages of having control over an international reserve currency are manifold for the country issuing it: first, it is possible to manage foreign debt without incurring exchange rate losses; it is possible, to borrow at lower interest rates; and it enjoys the income generated by seigniorage. Then, the resulting autonomy in managing monetary policy provides the possibility to adjust the value of dollar liabilities held by other countries. It represents through these means an enormous instrument of international political pressure.

Remaining a reserve currency over time, however, requires a balance of payments deficit. During Bretton Woods agreements, the deficit was fuelled by capital outflows to Europe, in more recent times by the current account deficit matched by purchases of dollar-denominated assets.

#### **4. International balances and the world of the 'free' market**

The inflationary crisis that led to the abandonment of the Bretton Woods agreements led - thanks to a paradigm shift in economic theory - to a profound revision of the rules of economic policy.

The market is the centre of all economic connections and - unless minor corrections are made to oil its functioning - can achieve full employment equilibrium. Price stability becomes the key instrument for ensuring the certainty of both domestic and international trade. A step backwards is taken, at least on paper, by revisiting the Gold Standard: it is no longer necessary to peg the currency to gold in order to guarantee stability, but it is sufficient for the currency to remain stable over time.

This basic idea is inspired by the principles of the Washington Consensus, i.e. the principles widely shared and declined by the International Monetary Fund in those decades. According to these principles any intervention outside the market – in the form of both fiscal and monetary policy - causes price increases and instability undermining the future credibility of the Central Bank (Kydland and Prescott,1977; Barro and Gordon (1983); Rogoff (1985); Lucas's (1972, 1976). It follows that excess debt and public spending, precisely because they are external to the market, must be corrected with restrictive fiscal policies. Fiscal austerity will generate less financial instability and reduce price pressure by ensuring the market automatically converges to full employment. These were the years of the Reagan presidency in the United States and of Margaret Thatcher as prime minister in the United Kingdom, a period in which the market experienced a strong push towards liberalisation, especially through the containment of labour costs. There is no alternative (indicated by the acronym TINA) to the market and the way to make it work is austerity, both fiscal (reducing public spending) and monetary (raising rates) austerity. However, the dollar continued to play the role of international reserve currency. Using this privileged position to flood the market with dollars, have a depreciated exchange rate, limit automatic balance of payments adjustments and circumvent the need to implement austerity policies.

In 1989, the Berlin Wall fell: a counterweight to the Soviet Union seemed no longer necessary. Faith, for that is what it is all about, in the ability of markets to regulate external and internal balances was extended to the entire world, initiating a new phase of globalisation that would last more or less in the same form until at least the 2008 financial crisis.

The free movement of capital and goods should have led, through arbitrage mechanisms extended to every sector of the economy, to benefits for all. Poor countries would have benefited abundantly from capital from advanced countries to finance their growth, and at the same time advanced countries would have been able to find adequate returns on their surplus capital. But history has evolved differently.

In particular, following a path of cumulative monetary causation, from the 1980s until at least the financial crisis, the high value of US assets due to expansive monetary policy drove up resident

consumption which, helped by China's entry into the WTO and government-controlled wages, increased US imports that were matched by accumulations of dollar reserves used for China's purchase of US liabilities (Bofinger et al., 2023). On the other hand, it would have been unprofitable for China to sell dollars on the market because this would have led to a depreciation of the Yuan and a slowdown in its expansion based on export growth.

Meanwhile, value chains became global, and it seemed impossible to distinguish the location of the different stages of production. Capital concentrates in few hands, heedless of its geographical origin: what remains relevant are the political borders of nations and the explosive potential on domestic and international balances of the balance of payments.

## **5. External imbalances, the dollar reserve currency and wars**

The 2008 financial crisis generated a domino effect on all dollar-denominated assets, causing a loss of confidence in its ability to be an international reserve. The enormous privileges accumulated by the US for flooding the market with dollars threaten to diminish. The current wars seem driven by the need to reverse this trend.

The key to interpreting the dynamics of world conflicts lies in the role of the dollar as international reserve currency and in the dynamics of the balance of payments: a current account deficit is accompanied by an outflow of dollars used by surplus countries to buy US debt. In this context, as in the Bretton Woods world, the Federal Reserve is the central bank - now not only of the western countries bound in exchange rate agreements - but of the entire world. The dominance of the US currency globally can also be observed through the lens of exchange rate stability. No matter how many dollars are floating around, there is no overselling in the markets, no operations by the central banks of unfriendly countries to depreciate their currencies.

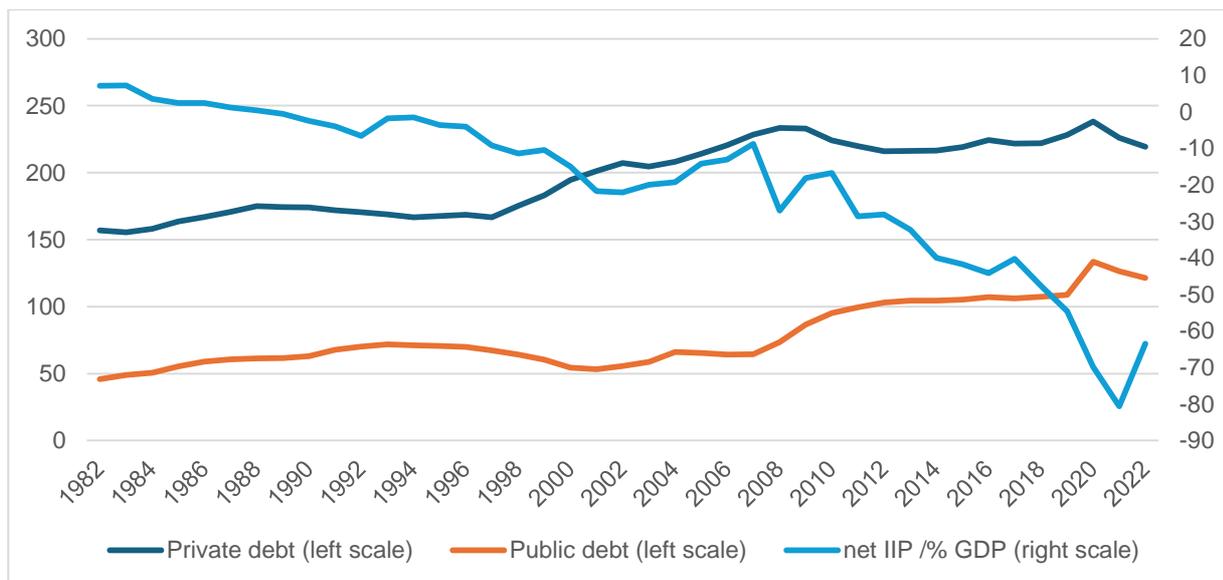
Nor can the excessive negative net position of foreign investment (matched by China's positive position) be considered a symptom of US difficulties. In fact, the absolute values in dollars represent in 2022 over -16,172,306 million (China's approximately + 2,402,390 million for the mainland and 105,218 for Macao- EWN dataset by Milesi-Ferretti 2024), which, however, when compared to GDP represent a derisory percentage (for USA -63.5% while for China +14.7%. In summary, until at least a few years ago, the US development model was based on the export of capital and China's on the export of goods. And this has been good for both many years.

As Bofinger et al (2023) suggests the increasing negative net international investment position of the USA was fuelled by easy monetary policy the Federal Reserve implemented from the

beginning of the '80 until the end of 2021 (<https://fred.stlouisfed.org/series/FEDFUNDS>). Low interest rates stimulated borrowing and fuelled purchases of cheaper foreign goods, growth in the trade deficit and accumulation of foreign liabilities. However, this is not a great cause of concern since the external debt of a country is dangerous if denominated in another currency, on which the Central Bank does not have control. This is not the case of the USA, whose external liabilities are almost entirely denominated in dollars. (Milesi Ferretti, 2024).

Figure 1, representing the evolution through years of public and private indebtedness together with the net international investment position, all as percentage of GDP supports this interpretation. In the year 2022 this trend has been inverted following the restrictive monetary policy and the increase in interest rates officially implemented to contain inflation. However, the measures had the effect of reducing private and public debt, attract capital flows and reduce the value of outstanding external liabilities denominated in dollars (Brancaccio and Fontana 2013, Bofinger, 2023)

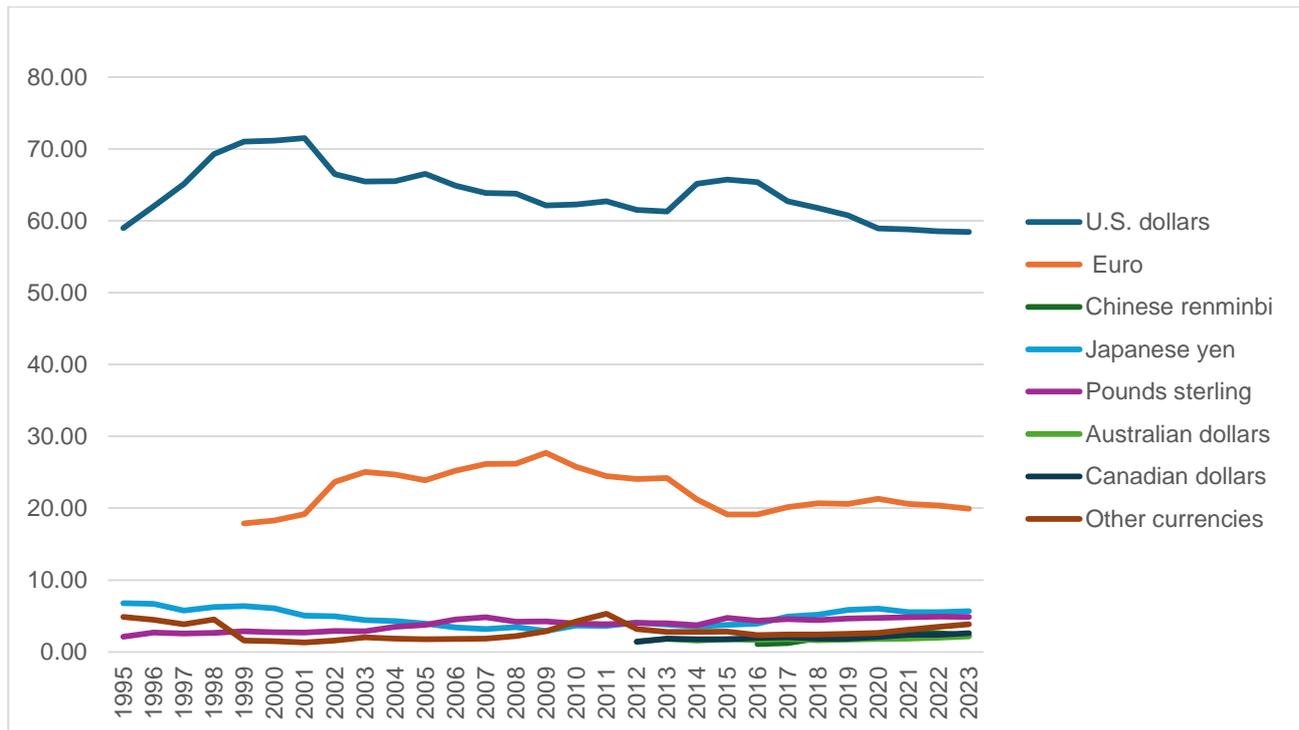
**Figure 1. Private debt, Public Debt and NIIP in USA (1982-2022)**



Source: our elaboration on IMF-COFER data

Figure 2 presents the percentage composition of the reserves of the major international currencies from 1995 to 2022: as can be seen, the dollar leads the way. Its main rival was for the period from 2001, the year of its actual debut, to 2013, when the sovereign debt crisis and austerity policies began to bite, the Euro. The pound covers roughly the same percentage for the entire period. The yuan, since it began reporting data to the IMF in 2016, a percentage around 2%.

**Figure 1. Percentage composition of reserves in major international currencies**



Source: our elaboration on IMF-COFER data

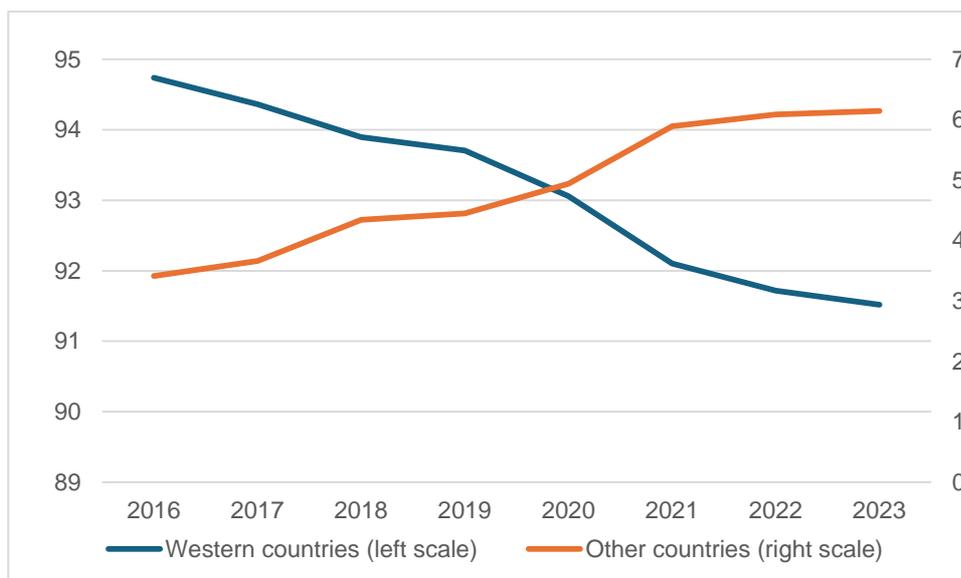
The US, however, risks that this dynamic could suddenly reverse - should China focus on a different development model - and capital move to different places. The period from 2016 to 2023 shows a decline in the share of dollars on the total allocated reserves. The so-called friendshoring, i.e. protectionist measures aimed at establishing connections with countries that the US defines as 'democratic' and with low political risk, should be read in this light. In this light should be read also the increasing military expenses in many western countries as they are supposed to support innovation, new technologies and dollar denominated assets of multinational firms. Some authors investigated this issue and found out that military alliances boosted the shares of the currencies in foreign reserve of allied partners (Cohen 2015; Kindleberger 1970; Posen 2008; Liao and McDowell 2016) as they are perceived as safe in function of the geopolitical and military power (Eichengreen et al., 2019, Iancu et al.2023).

Many countries have tried to break free from the use of the dollar. Since the 1970s, Latin American nations such as Chile and Venezuela have tried to break out of the dollar-based global financial order. Venezuela has long tried to buy oil in Chinese yuan. Over the past half-century, Iraq and Libya have attempted to leave the dollar through the euro and a pan-African solution. China, for its part, is reorganising itself through the use of alternative currencies and increasing

its connections with other emerging countries, such as Brazil and some countries on the African continent. Russia - also urged on by sanctions - is not to be outdone.

Figure 3 shows the dynamics of the percentage of foreign reserves holding of the so-called Western countries and that of all other currencies. The reserves of Western countries represent the sum of reserves in US dollars, pound sterling, Japanese yen, Canadian dollars, Australian dollars and Euros, while those of other countries include the Chinese currency and all other currencies outside the Western bloc. Although the percentages have little comparable scale, it is clear that since the Chinese central bank began sending data relating to the renminbi to the IMF in 2016, in the face of a decline in the currency reserves of Western countries, there has been a progressive increase in reserves in renminbi and other currencies. It is observable also that from 2021 onwards this tendency slowed as the two lines have a less steep trend.

**Figure3. Share of reserves of currencies of “western countries” and “other countries”**



*Source: our elaboration on IMF-COFER data*

In the reading of this dynamic there is the intruder - dangerous for the US - of the Eurozone (could it become a new reserve currency?): its policies of price restraint and fiscal austerity have given Germany an enormous competitive advantage. Its current account surpluses, accompanied by capital inflows from Eurozone periphery countries made the currency stable and a vehicle for economic connections with Asia (Russia, China, India...) that for the US is awkward.

It is in this light that the war in Ukraine and the more recent conflicts in the Middle East should be read, which have the declared aim of compacting the world's 'democratic front', but which rather aim to reconstitute the number of dollar buyers on global markets. The war is an 'excellent

tool' to attract international capital, especially new technology capital, now borderless multinationals and to continue flooding the world with US currency. The measures taken by the government to attract capital from abroad (the IRA, Inflation Reduction Act, grants support to foreign companies that go to invest in green technology in the US, as long as they stay in the country for a large number of years) have shifted the centre of gravity back to the Atlantic and limited interconnections with Asia. The effects of the wars on the cost of energy have done the rest. The symbiotic relationship between finance and states that had led to the outbreak of wars in the 20th century manifested itself, declined in a different way.

In these dynamics, Europe has chosen not to play any game, but rather to be the vehicle for this international repositioning. By persisting with austerity policies and the absence of a common industrial policy, it has allowed the United States to reorganise itself by giving up its potential role as mediator in global conflicts. Germany, only a few years ago the locomotive, is now the sick man of Europe. Even Italy, which has always been a US ally in the Mediterranean, has become an instrument of the Eurozone's weakening, risking paying a high price for the consequences of the ongoing wars.

## **5. Possible future scenarios**

If this is the dynamics of international balances, what solution is possible to contain the winds of war and prevent them from turning into a global conflict?

An excellent path would be the one identified by Keynes with the ICU. A global currency area with fixed exchange rates relative to a virtual currency. A supranational central bank that compensates for changes in reserves. A symmetric adjustment system that does not privilege any participating country. Controls on short-term capital movements to avoid speculative attacks. Several studies concentrated toward this solution, proposing different articulation but all having in common – following the main Keynes ideas - the attempt to avoid reserve hoardings, in the strong belief that it is a vehicle of power imbalances at international level (Alessandrini, 2009, Kregel, 2021) A similar system of agreements, however, if it was at least prefigurative in the post-World War II world, today belongs to the field of utopias.

Is China willing to give up its expansionist aims? Will the United States come to the conclusion that continually blowing the winds of war to maintain its hegemony could lead to global conflict? Will Europe be able to realize that its economic-political relevance does not depend on austerity, but on the shared growth of the euro area?

There is no mediation scenario on the horizon, but rather a disturbing prospect of widening conflicts.

However, there is a second best - as economists say - the return to a way divided in two. This time no longer East and West, but North and South of the world, each with its area of influence and its friend shoring. Just as from the end of the Second World War to the fall of the Berlin Wall the world was in "balance" for over 50 years, so perhaps it could be in the future. This time not because of the contrast between communism and capitalism, but between different forms of capitalism that learn to coexist, each addressing their own area of influence. Will financial capital be available to support this solution? Let's hope we don't need a new world war.

## References

- Alessandrini, P., Fratianni, M. (2009) Resurrecting Keynes to Stabilize the International Monetary System. *Open Econ Rev* 20, 339–358. <https://doi.org/10.1007/s11079-008-9106-4>
- Bofinger P. Geißendörfer L. Haas T., Mayer F. (2023), *Schumpeter's insights for monetary macroeconomics and the theory of financial crises*, Industrial and Corporate Change, Volume 32, Issue 2, April 2023, Pages 573–603, <https://doi.org/10.1093/icc/dtad006>
- Brancaccio E., Fontana G., ‘Solvency rule’ versus ‘Taylor rule’: an alternative interpretation of the relation between monetary policy and the economic crisis, *Cambridge Journal of Economics*, Volume 37, Issue 1, January 2013, Pages 17–33, <https://doi.org/10.1093/cje/bes028>
- Hilferding, R. (1910). *Das Finanzkapital. Study of the Latest Phase of Capitalist Development*. Routledge & Kegan Paul, London available at <https://www.taylorfrancis.com/books/mono/10.4324/9781315628523/imperialism-hobson>
- Hobson, J.A. (1902). *Imperialism. A study*. Reprinted 2016 Taylor & Francis, London
- Horsefield Keith J. (1969) The International Monetary Fund, 1945-1965. Twenty Years of International Monetary Cooperation, par J. KEITH HORSEFIELD et al. 3 vols., 7¼ po. x 10¾, reliés, 663, 549 et 621 pages. — INTERNATIONAL MONETARY FUND, Washington, D.C, 1969. ae 46:559–559. <https://doi.org/10.7202/1004002ar>
- Keynes, J. M. (1919). *The Economic Consequences of the Peace* (1 ed.). London: Macmillan & Co., Limited.
- Kregel, J. A. (2021) : Another Bretton Woods reform moment: Let us look seriously at the clearing union, Public Policy Brief, No. 154, ISBN 978-1-936192-70-0, Levy Economics Institute of Bard College, Annandale-on-Hudson, NY
- Lenin, V. I. (1917). Imperialism, the final stage of capitalism. Public Domain: Lenin Internet Archive 2005, available at <https://www.marxists.org/archive/lenin/works/1916/imp-hsc/imperialism.pdf>.
- Milesi-Ferretti G. M. (2024) *The decline in global cross-border holdings in 2022: Declining asset prices, weak financial flows*, The external wealth of Nations, Brooking papers of economic activity, available at <https://www.brookings.edu/articles/the-external-wealth-of-nations-database/>, January 2, 2024
- O’Hara P. A. (2022), *Principles of Institutional and Evolutionary Political Economy. Applied to Current World Problems*, Springer Singapore, <https://doi.org/10.1007/978-981-19-4158-0>.
- Pala, G. (2005). *Lo sviluppo economico capitalistico e la guerra. La crisi dell’accumulazione mondiale e il trasferimento di plusvalore*. Mondo di guerra, Athanor XVI-9, Meltemi Editore.
- Whyman, P.B. (2015), Keynes and the international clearing union. *J Common Mark Stud*, 53: 399-415. <https://doi.org/10.1111/jcms.12180>