North-American Monetary Integration: Here Comes the Amero

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Global Research, January 20, 2008
20 January 2008

Region: Canada, USA
Theme: Global Economy

Many have now heard rumblings of the "amero", a proposed North American currency to replace the Canadian loonie, dollar and peso. However, most of the mentions of this concept, when discussed in the mainstream media tend to focus on suggesting that talk of an "amero", and in effect, the accompanying North American Union, is nothing but a conspiracy theory created by deluded xenophobes afraid of immigration and globalization. The *Boston Globe* recently wrote such a story, titled, "The Amero Conspiracy", which stated, "The SPP [Security and Prosperity Partnership] does exist, and its tri-national task forces continue to meet, but its members consider it a way for the United States, Canada, and Mexico to collaborate on issues such as customs, environmental and safety regulations, narcotics smuggling, and terrorism. The amero, on the other hand, appears to be purely theoretical."1

However, despite being conveyed as "purely theoretical", a recent article in the national Canadian newspaper, the *Financial Post*, referred to the amero, not as a theoretical idea or conspiracy theory, but as a potential reality. The article entitled, *Fix the Loonie*, lays out the process to be undertaken before the adoption of a continental currency known as the Amero.

The article was written as a response to a previous article written in defense of Canada's flexible exchange rate system, to which it states, "David Laidler's recent defence of Canada's flexible exchange rate system misses completely the point made by Nobel Prize winning economist Robert Mundell in his famous article on optimum currency areas. Mundell's article has been widely credited with providing the intellectual base for the European Monetary Union and merits attention."2 The article continued elaborating on the previous point made by Mundell, stating, "If flexible exchange rates are best for Canada on the grounds presented by Laidler, why would flexible rates not be best also for Alberta, Ontario or New Brunswick?" It continued, "Milton Friedman's response to Mundell was that he would not advocate flexible rates for every possible region."

The article contends that Canada is currently suffering from what the author refers to as the 'Dutch Disease', "which is named after the problems that developed in the 1960s when the Netherlands sold natural gas that had been discovered on its coast. The increases in Dutch exports of resources, like those of Canada in recent years, resulted in a strong appreciation of exchange rates, which was reinforced by interest rate policies of central banks and currency speculators." It further states that, "The disease manifests itself through the loss of domestic manufacturers' ability to compete abroad and with imports." The author then contends that, "The disease manifests itself through the loss of domestic manufacturers' ability to compete abroad and with imports," and that, "The Bank of Canada can keep interest rates low to discourage capital inflows and thus exchange rate increases, but at the cost of fuelling inflationary pressures."

The author then states that there is only one true cure for Canada's 'Dutch Disease', "inoculation of the system by fixing the exchange rate at a level that allows manufacturers to be competitive, perhaps at the rate the Bank of Canada research identifies as the long-run equilibrium, around US90¢." The author goes on to explain the reasoning behind this by giving the example that, "The Netherlands and Austria in the years before the introduction of the euro successfully operated such a system and enjoyed near perfectly stable exchange rates against the German currency. The essential ingredient in this success was the official commitment of the central banks of these two countries to maintain the same interest rate as that of the German central bank."

So if Canada were to do the same in relation to the US dollar, then Canadian interest rates would be subject to the rates set by the US Federal Reserve, with our Bank of Canada lock in step. The author goes on to say, "An analogous commitment by the Bank of Canada with respect to U.S. interest rates may not be credible, tested by speculators and therefore ultimately doomed to failure." Then the article continues, and makes a startling announcement:

"However, there is a solution to this lack of credibility. In Europe, it came through the creation of the euro and formal end of the ability of national central banks to set interest rates. The analogous ***creation of the amero*** is not possible without the unlikely co-operation of the United States.

This leaves the credibility issue to be solved by the *unilateral adoption of a currency board*, which would ensure that international payments imbalances automatically lead to changes in Canada's money supply and interest rates until the imbalances are ended, all *without any actions by the Bank of Canada or influence by politicians*.

It would be desirable to create simultaneously the currency board and a New Canadian Dollar valued at par with the U.S. dollar. With longer-run competitiveness assured at US90¢ to the U.S. dollar. [Emphasis added]."

In summation, what the author is proposing is to fix the Canadian loonie to the US dollar at US$0.90, create a currency board, which would be an unelected, unaccountable, group of people to handle our monetary policy, creating a route around using the publicly owned Bank of Canada, to ensure the creation of a 'New Canadian Dollar', which would be a prelude to the Amero. The author then explains that, "Fluctuations in global demand for natural resources will always result in competition for labour and capital among Canadian manufacturers and producers of resources. But, at least, the firms in these sectors would no longer have to concern themselves with exchange-rate fluctuations and policies of the Bank of Canada." The article finishes by stating, "There will also always be changes in the U.S. (and Canadian) dollar exchange rate against the euro and other major currencies. But these changes would have minor effects on the Canadian economy because 80% of the country's trade is with the United States."

The author of this article is Herbert Grubel, a professor of economics emeritus at Simon Fraser University, who also happens to be a Senior Fellow at the Fraser Institute, one of Canada's largest and most prominent pro-big business think tanks.3 Other senior fellows at the Fraser Institute include Eugene Beaulieu, who sits on the Academic Advisory Council to the Deputy Minister of International Trade in the Department of Foreign Affairs and International Trade for the Government of Canada, Martin Collacott, former Canadian Ambassador, Tom Flanagan, ho is known as the "man behind Stephen Harper", and is a member of what is known as the 'Calgary School', which is an unofficial group of like minded thinkers who espouse neo-conservative views, and hold significant influence in the current Conservative government, even referring to Flanagan as the "Godfather of Canada's conservative movement."4

Flanagan also used to work for Preston Manning, who is also a senior fellow at the Fraser Institute, a former Member of Parliament, and former leader of the opposition, and other senior fellows include Gordon Gibson, a former Assistant to the Minister of Northern Affairs and later Special Assistant to the Prime Minister, Wilf Gobert, former Director and Vice Chairman of Peters & Co. Limited, "an independent, fully integrated investment firm which has specialized for 35 years in investments in the Canadian oil, natural gas, and oilfield services industries," Michael Harris, former Conservative Premier of Ontario, Jerry Jordan, former President and CEO of the Federal Reserve Bank of Cleveland, Ralph Klein, former Premier of Alberta, Rainer Knopff, a professor and also a member of the 'Calgary School', and Brian Tobin, a former Industry Minister.5

The author of the *Financial Post* article which mentioned the amero, Herbert Grubel, wrote a paper for the Fraser Institute in 1999, entitled, "The Case for the Amero: The Economic and Politics of a North American Monetary Union", in which he laid out the case for the creation of a regional currency for North America.6 In this paper, Grubel wrote that, "The plan for a North American Monetary Union presented in this study is designed to include Canada, the United States, and Mexcio," and that, "The North American Central Bank, like the European Central Bank, will have a constitution making it responsible only for the maintenance of price stability and not for full employment."7

In discussing the issue of sovereignty related to a monetary union, Grubel stated that he thinks that, "sovereignty is not infinitely valuable. The merit of giving up some aspects of sovereignty should be determined by the gains brought by such a sacrifice."8 He continued in saying, "It is important to note that in practice Canada has given up its economic sovereignty in many areas, the most important of which involve the World Trade Organization (formerly the GATT), the North American Free Trade Agreement," as well as the International Monetary Fund and World Bank.9 Despite admitting to several agreements and organizations of which strip Canadian sovereignty, Grubel suggests that losing sovereignty in these areas is still worth the benefits.

The introduction of the Amero is an integral aspect of the process of creating a North American Union, much like the European Union. This process is being undertaken through the implementation of the Security and Prosperity Partnership of North America (SPP), which was signed by the leaders of the three North American governments in March of 2005. This agreement is orchestrating the bureaucratic "harmonization" among the three North American nations to pave the way for a North American Community, akin to the previous European Community, and ultimately, a North American Union.

The push for this agenda is being driven by the US-based Council on Foreign Relations (CFR), the preeminent American think tank, and the Canadian Council of Chief Executives, as well as the Mexican equivalent, Consejo Mexicano de Asuntos Internacionales. In May of 2005, the three groups, as a result of their joining forces in a Task Force, released a report entitled, “Building a North American Community,” in which they state that, “The Task Force offers a detailed and ambitious set of proposals that build on the recommendations adopted by the three governments at the Texas summit of March 2005. The Task Force’s central recommendation is establishment by 2010 of a North American economic and security community, the boundaries of which would be defined by a common external tariff, and an outer security perimeter.”10

Thomas P. D’Aquino was the Canadian Co-Chair of the Task Force report and is also the President and CEO of the Canadian Council of Chief Executives, other Canadian members of the Task Force report include Allan Gotleib, former Canadian Ambassador to the United States, Pierre Marc Johnson, former Premier of Quebec, John Manley, former Deputy Prime Minister of Canada, and after 9/11, negotiated the Smart Border Agreement with the US Secretary for Homeland Security Tom Ridge, and Wendy Dobson, former President of the C.D. Howe Institute, another one of Canada’s most prominent think tanks, and former Associate Deputy Minister of Finance in the Government of Canada.11

The C.D. Howe Institute has on its board of directors, individuals from Imperial Oil Canada, a subsidiary of Exxon Mobil, General Electric Canada, BMO Financial Group, TD Bank Financial Group, Nortel Networks, Manulife Financial, Bank of Nova Scotia, Enbridge Gas Distribution, EnCana Corporation, Ford Motor Company of Canada, HSBC Bank of Canada, Astral Media, Merrill Lynch Canada, CIBC World Markets, and N M Rothschild and Sons Canada.12

In 1999, the C.D. Howe Institute published a report entitled, *From Fixing to Monetary Union: Options for North American Currency Integration*.13 In the paper, it is argued that, “The easiest way to broach the notion of a NAMU [North American Monetary Union] is to view it as the North American equivalent of the European Monetary Union (EMU) and, by extension, the euro.”14 It continued in discussing the issue of sovereignty, stating, “That a NAMU would mean the end of sovereignty in Canadian monetary policy is clear. Most obviously, it would mean abandoning a made-in-Canada inflation rate for a US or NAMU inflation rate.”15

The concept of a North American currency has not only been the object of discussion within powerful big-business think tanks, but has, in fact, been discussed in government positions. In May of 2007, Canada’s then-Governor of the Bank of Canada, David Dodge, said that, “North America could one day embrace a euro-style single currency,” the *Globe and Mail* reported. Further, the article stated that, “Some proponents have dubbed the single North American currency the ‘amero’,” and further, “Answering questions from the audience after a speech in Chicago, Mr. Dodge said a single currency was ‘possible’.”16

In November of 2007, the *Globe and Mail* reported that, “Canada should replace its dollar with a North American currency, or peg it to the U.S. greenback, to avoid the exchange rate shifts the loonie has experienced, renowned money manager Stephen Jarislowsky told a parliamentary committee yesterday,” and quoted Jarislowsky as saying, “I think we have to really seriously start thinking of the model of a continental currency just like Europe.”17 The article continued, “Mr. Jarislowsky, a former Canfor Corp. director, said the loonie’s rise to above par with the U.S. dollar is destroying manufacturing and could devastate the forest sector,” and that, “Mr. Jarislowsky said Canada could either aim for a common North American currency or peg the loonie to the U.S. greenback at about 80 cents (U.S.), allowing it to float within a small band.” Jarislowsky, a billionaire often considered to be Canada’s Warren Buffet, is a member of several corporate boards, and is also a member of the board of directors of the C.D. Howe Institute.18

Appearing on *Larry King Live* recently, former Mexican President and initial signatory to the Security and Prosperity Partnership, Vicente Fox, when asked a question about whether or not it was possible to see a common currency for Latin America, responded by stating, "Long term, very long term. What we propose together, President Bush and myself, it's ALCA, which is a trade union for all of the Americas. And everything was running fluently until Hugo Chavez came. He decided to isolate himself. He decided to combat the idea and destroy the idea," to which Larry King interjected, "It's going to be like the euro dollar, you mean?" and Fox responded, "Well, that would be long, long term. I think the processes to go, first step into is trading agreement. And then further on, a new vision, like we are trying to do with NAFTA."19

So clearly, there is a move on toward a regional currency for North America, in conjunction with the formation of a North American Union. Monetary sovereignty, and especially the power to create and issue money, is perhaps more central to the idea of a free, democratic and sovereign nation than the right to vote. If we do not have the power over the issuance of money, it does not matter whom we vote for. It's the Golden Rule: he who has the gold, makes the rules. We, as Canadians, and other peoples of their respective nations should never relinquish this sovereignty over to regional boards, private banks, or other unaccountable individuals. It is our right, not a privilege, and giving up such a right is akin to giving up the right to vote; it is anathema to democracy and a free society.

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