

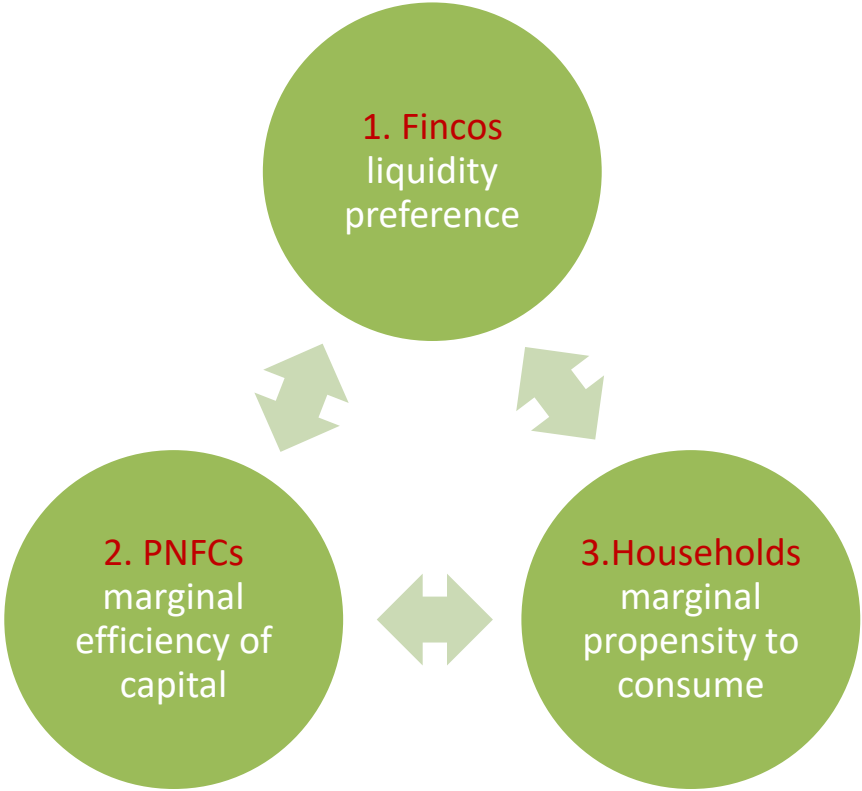
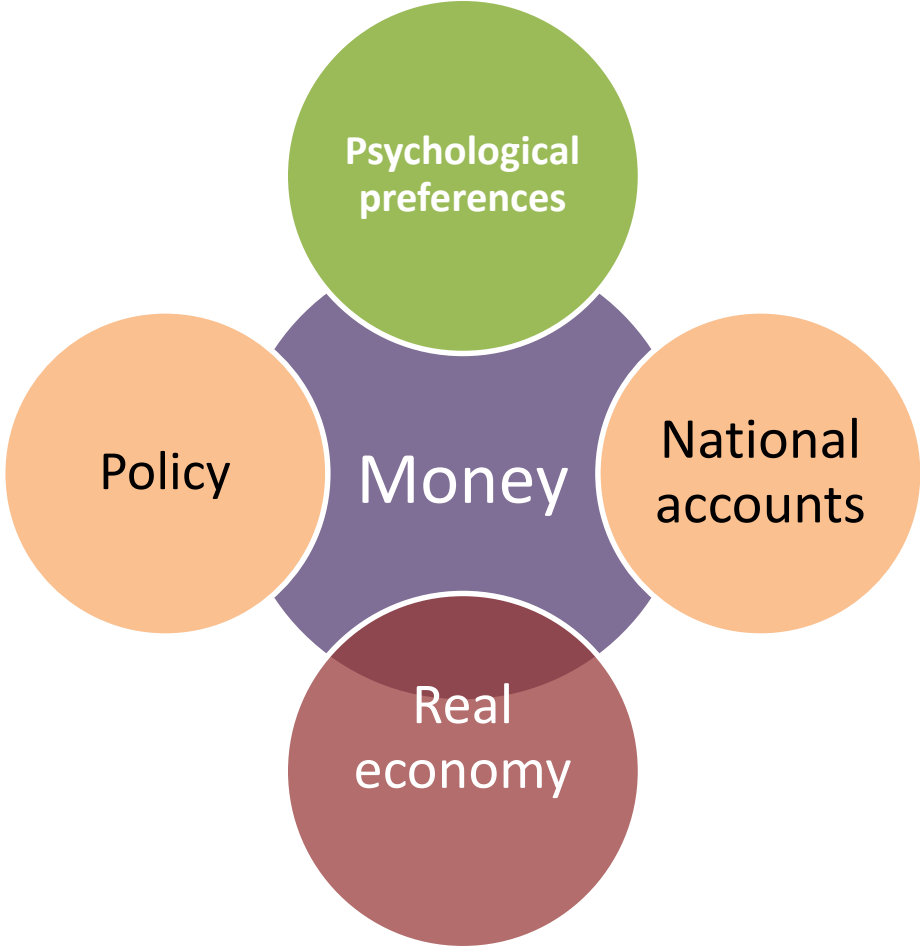
The evolution to multilateral clearing and a global money-of-account



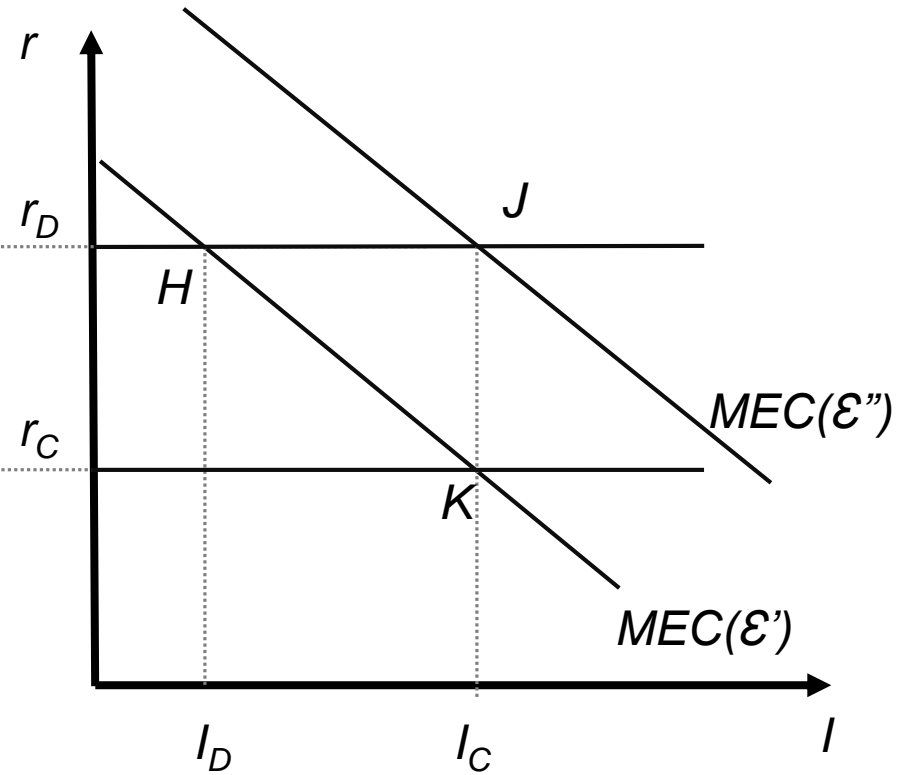
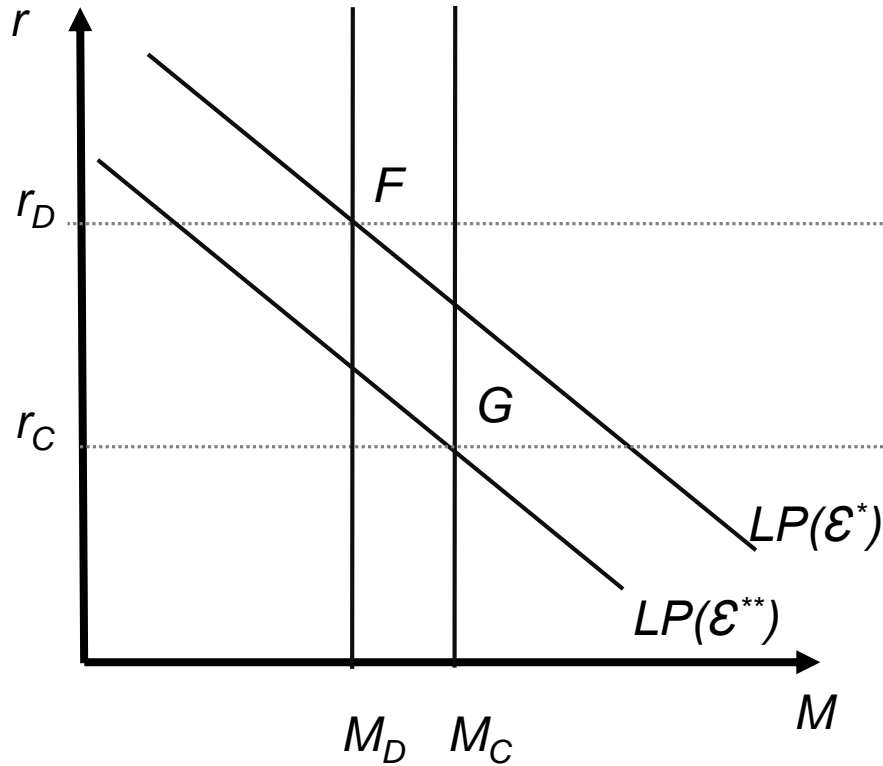
Keynes defending the Bretton Woods proposals in the House of Lords, 23 May 1944

My Lords, the experience of the years before the war has led most of us, though some of us late in the day, to certain firm conclusions ... **We** are determined that, in future, the external value of sterling shall conform to its internal value as set by our own domestic policies, and not the other way round. **Secondly**, we intend to retain control of our domestic rate of interest, so that we can keep it as low as suits our own purposes, without interference from the ebb and flow of international capital movements or flights of hot money. **Thirdly**, whilst we intend to prevent inflation at home, we will not accept deflation at the dictate of influences from outside. In other words, we abjure the instruments of Bank rate and credit contraction operating through the increase of unemployment as a means of forcing our domestic economy into line with external factors ... I hope your Lordships will trust me not to have turned my back on all I have fought for. **To establish those three principles which I have just stated has been my main task for the last twenty years.** (CW XXVI, p.16)

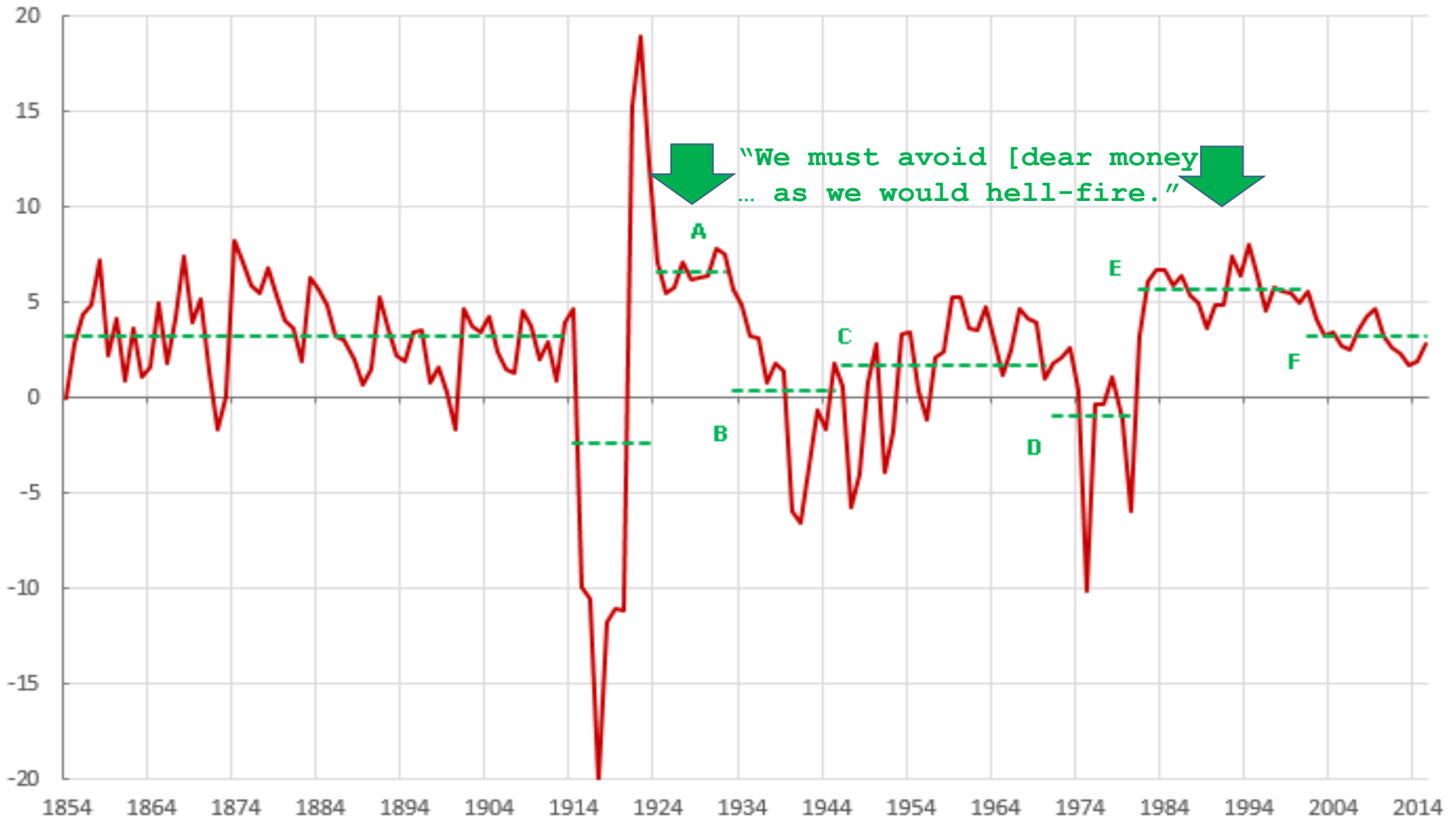
Foundations of macroeconomic methodology



MR-RI Framework



UK real long-term rate of interest



Source: Bank of England; interest on corporate bonds adjusted with GDP deflator