

Keynes's International Currency Union — Reimagined with Cybercurrency

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Introduction

In the 1940s, John Maynard Keynes proposed an **International Clearing Union (ICU)** that would use a global currency (the “**Bancor**”) to settle trade balances among nations indiafa.org. The goal was to prevent persistent trade imbalances by having a neutral reserve currency managed by a multilateral institution instead of any single country. While the original ICU was never implemented (the Bretton Woods conference chose a dollar-based system instead indiafa.org), the idea of a supranational currency has resurfaced in modern discussions, especially after financial crises en.wikipedia.org.

Today's technology—specifically **blockchain and distributed ledgers**—makes it feasible to revive and update Keynes's vision. A “**Cyber-Bancor Union**” would use a cryptocurrency-like international money (for example, a Bitcoin-style digital asset) as the unit of account for all cross-border transactions, while countries retain their own national currencies for domestic use. Modern **distributed ledger technology (DLT)** provides a transparent, real-time platform that could operate such a union **without daily central intervention** indiafa.org. In essence, the Cyber-Bancor system aims to combine Keynes's farsighted concepts with blockchain's automation and trustworthiness to foster global economic stability and fairness.

Joining the Cyber-Bancor Union: Allocation of Cybercurrency

Each country that joins the Cyber-Bancor Union would receive an **initial allocation** of the international digital currency (the “Cyber-Bancor” units) recorded on the global ledger. This allocation is **synthetic and ledger-based** – no physical cash is issued; instead, balances are created in the shared blockchain system.

The **initial allotment is proportional to the country's economic size (GDP)** at the time of joining. For example, if a country accounts for 5% of the combined GDP of all member nations, it would receive roughly 5% of the total initial Cyber-Bancor units. This ensures that larger economies have a commensurate stake and liquidity in the system, while smaller economies receive a fair share relative to their output. This approach is analogous to how the International Monetary Fund allocates its **Special**

Drawing Rights (SDRs) based on member country quotas: a country's IMF quota (largely determined by its GDP and trade) dictates its share of SDRs en.wikipedia.org. By similarly tying Cyber-Bancor allocations to GDP, the union recognizes each nation's contribution to the global economy. Importantly, these digital currency allocations would **not replace national currencies**, but serve as **reserve and settlement balances** for international trade and payments. Each member's allocation establishes its starting **credit balance** in the shared ledger, which they can use to offset trade deficits or accumulate further with trade surpluses, much like an overdraft or deposit in Keynes's original clearing union concept indiafa.org.

As global GDP shares evolve over time (or when new members join), the Union could periodically recalibrate allocations or issue new Cyber-Bancor units so that the supply remains aligned with economic realities, preventing any one country from dominating the currency pool.

A Universal Tariff Mechanism for Fair Trade

To complement the currency union and prevent imbalances, the Cyber-Bancor system introduces a **universal tariff mechanism** applied uniformly to all traded goods and services between member countries. Unlike conventional trade regimes where thousands of products have different tariff rates, the Union uses **one transparent tariff rate per country** for all its imports and exports. This uniform tariff is not arbitrary; it is **linked to each country's average income level (GDP per capita)** and is recalculated

annually. The principle is that tariff levels should reflect a country's stage of economic development and ability to compete, thereby ensuring fairness and promoting **convergence of economies over time**. In practice, this means a country with a **higher average income** will tend to have a **lower base tariff rate**, while a country with a **lower average income** can maintain a **higher base tariff rate** (at least initially). For example, a high-income economy might be assigned a base tariff of, say, 5% on all imports and exports, whereas a lower-income economy might have a base tariff of perhaps 15%. These rates would be adjusted each year based on updated income data, so that if a lower-income country's average income rises, its tariff rate would automatically tick downwards to reflect its improving position.

This dynamic adjustment fosters **evolving economic alignment**: as developing countries grow richer, their tariff levels move closer to those of advanced countries, gradually leveling the playing field. Conversely, if a country's average income falls or lags behind, the system allows it more tariff breathing room to protect its economy until it recovers.

Crucially, this **income-linked tariff structure** is aimed at **equity**. High-income countries, with their greater productivity and robust industries, commit to more open trade (lower tariffs), which gives consumers access to cheaper goods and also allows emerging economies stronger export opportunities. Lower-income countries, which often rely on tariffs for government revenue and to nurture young industries, are afforded higher rates in a rules-based way rather than ad hoc protectionism. Notably, this approach formalizes a pattern observed in current global trade: historically, low-income nations have tended to impose higher average tariffs than rich nations [cnbc.com](https://www.cnbc.com). For instance, least developed countries often maintain higher import duties to shield nascent industries and generate revenue, whereas wealthy nations have generally lower tariffs and non-tariff barriers. The Cyber-Bancor Union's system codifies this into a fair, transparent rule – one that can be defended as objectively based on development level, rather than driven by power politics. Over time, as the gap between members' income levels narrows, their allowed tariff rates would also converge downward, guiding the whole union toward **freer trade in the long run** as equity is achieved.

Bilateral Tariff Adjustments for Trade Equity

While each member has a base tariff derived from its average income, the system also defines how **bilateral tariffs** are effectively set between any two countries, considering **both partners' income levels and economic sizes (GDP)**. The goal is to encourage **balanced trade** and to specifically bolster lower-income economies' ability to trade on fair terms, without unduly burdening high-income economies. In essence, the **direction of tariff application is adjusted based on the relative development of the trading partners**.

ILLUSTRATION

*Illustrative example of differential tariffs: A high-income country's exports to a low-income country face a **moderate tariff** (blue arrow), while the low-income country's exports to the high-income market face a **minimal or zero tariff** (green arrow), reflecting the equity-oriented rules.*



For any two member nations A and B, the **bilateral tariff scheme** can be summarized as follows:

- **Higher-income to Lower-income:** When a high-income country exports to a lower-income country, the importing lower-income nation is allowed to levy a **relatively higher tariff** (up to its income-linked base rate) on those imports. This provides the lower-income country with protective buffer and revenue. However, the model caps this tariff to avoid it becoming excessive – ensuring the rate isn't so high that it chokes off trade or places an unreasonable burden on consumers in the poorer country. The tariff is meant to **support the developing economy's industry** without completely shielding it from competition. For the high-income exporter, this means paying some duties, but not so much as to make access to the market unviable.
- **Lower-income to Higher-income:** In the opposite direction, when a lower-income country exports to a high-income country, the rule is flipped to encourage those exports. The high-income importing nation applies a **very low or zero tariff** on goods from the poorer country (often significantly below its own base rate, if not zero). This is effectively a **preferential access** arrangement: the richer economy opens its market fully (or almost fully) to the poorer partner. The rationale is that the high-income country's consumers and industries can generally handle competition from imports (and might even benefit from lower-cost products), and the lower-income country greatly benefits from easier access, boosting its export earnings and growth. This element mirrors real-world trade preference programs like the **Generalized System of Preferences (GSP)**, under which developed markets unilaterally reduce or eliminate tariffs on imports from developing countries policy.trade.ec.europa.eu. By institutionalizing such preferences in the Cyber-Bancor Union, **trade becomes an engine for development** – poorer nations can expand industries by selling to richer markets on favorable terms. Meanwhile, high-income nations demonstrate solidarity without direct aid, through trade policy that also tends to lower prices for their own consumers.
- **Similar-income pairs:** If two countries have **comparable income levels** (for instance, two high-income countries or two middle-income countries), the system treats them as peers. Each will apply its standard income-linked rate, which in practice would be similar. This results in roughly **symmetric tariffs** on both sides. Because their development status is on par, neither side is given special preference – they compete on equal footing. This prevents scenario where one advanced economy might exploit another with no tariffs; instead, both have similarly low tariffs, facilitating free or near-free trade among equals. For two low-income countries at parity, both might have somewhat higher tariffs, but since neither has a vastly stronger economy than the other, this reciprocity is considered fair. (In time, as their incomes rise and base tariffs fall, their mutual tariffs would decrease as well.) Encouraging **South-South trade** is also important – the rules strive not to trap developing countries behind permanent high barriers with each other. Should two low-income members find their reciprocal tariffs hindering beneficial trade, the Union's annual recalibration process can gently nudge them toward lower rates as their economic conditions improve.
- **Considering GDP (Economic Size):** In addition to per capita income, the **total economic size (GDP)** can act as a secondary factor to fine-tune tariffs. For example, if a country is very small but has a somewhat higher per capita income, and it's trading with a very large economy that has slightly lower per capita income, a strict income-based rule might suggest the larger (but poorer per capita) country gets preferences. However, the sheer market power of the large economy could overwhelm the small one even if the large economy's average income isn't much higher. The model can account for this by moderating tariffs in such cases to avoid unrealistic burdens. In practical terms, member countries could agree on a formula that incorporates both **GDP per capita** and **GDP** (perhaps giving a weight to each) to determine a fair tariff rate between them. The intent is to ensure **big economies play fair with small economies**

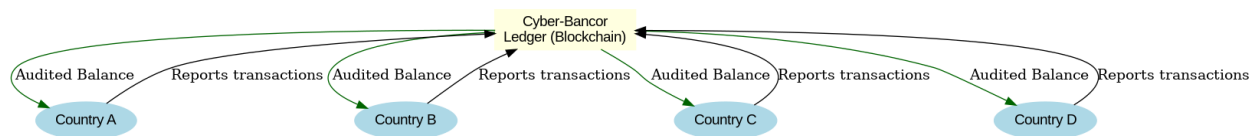
and vice versa, acknowledging that both wealth and size influence trade dynamics. An illustrative proposal along these lines comes from economist **Joseph Stiglitz** and colleagues, who advocated a “progressive” trade system where **any country must give free market access to all countries poorer and smaller than itself**business.columbia.edu. Under that scheme, for instance, the United States (very large and wealthy) would allow duty-free imports from a middle-income country like Egypt, and Egypt in turn would open fully to a poorer, smaller country like Ugandabusiness.columbia.edu. The Cyber-Bancor Union’s bilateral tariff design embodies a similar spirit: **richer, more powerful economies should grant more generous terms to weaker ones**, while emerging economies extend advantages to those even less developed. This graduated obligation structure encourages an upward spiral of opportunities – each country, as it climbs the development ladder, “pays it forward” by extending trade benefits to those still climbing behind it.

By applying these rules automatically through agreed formulas, the bilateral tariff mechanism **promotes trade equity**. Lower-income countries get to strengthen their economies via improved export access and reasonable protection when importing, helping them industrialize and grow. Higher-income countries, on the other hand, are not “punished” with arbitrary tariffs; they face only those duties that are calibrated and capped by objective criteria, keeping the burden manageable. In fact, high-income economies benefit in the long run as the overall prosperity of trading partners increases – new markets for their goods emerge as lower-income nations grow wealthier under the system. The tariff revenues collected (in the Cyber-Bancor currency) can be recycled into the lower-income country’s development projects or to adjust any payment imbalances. And because the rules are union-wide and transparent, disputes are minimized – every country is aware of the **tariff rate it can expect from any other member** based on their respective incomes, removing uncertainty from trade negotiations. This automated, principled approach replaces the haphazard tug-of-war of trade wars and bilateral deals with a stable framework aimed at **convergent growth**. As lower-income members develop, the need for protective tariffs diminishes, gradually transitioning the entire union toward **freer trade with minimal tariffs**. In the interim, trade flows are made more equitable than today’s status quo, which often sees the poorest countries at a disadvantage despite various preference schemes. The Cyber-Bancor Union thus operationalizes Keynes’s ethos of balance and fairness: not only in currency matters, but in the terms of trade themselves.

Automated and Transparent Operation via Blockchain

A cornerstone of the reimagined ICU with cybercurrency is that it operates with **maximum automation and transparency**, leveraging the power of blockchain to minimize human administrative involvement. The Cyber-Bancor Union would be administered by code – essentially a set of **smart contracts and distributed ledger protocols** – rather than by constant bureaucratic management. All member countries (likely through their central banks or finance ministries) connect to the common ledger system to record and settle transactions in the Cyber-Bancor currency. The architecture could be envisioned as a **permissioned blockchain consortium** where each country runs a node that validates transactions, ensuring no single nation controls the system. Every cross-border trade transaction or payment between members would be **logged on the blockchain in real time**, triggering automatic adjustments to each country’s Cyber-Bancor balance and the application of any relevant tariff according to the rules described above.

*Schematic: Member nations interface with a shared **Cyber-Bancor blockchain ledger**. Trade transactions are reported to the ledger (black lines), which in turn updates each country’s **audited balance** in the international cybercurrency (green lines) visible to all members.*



Because the ledger is **distributed and transparent**, all participants can see the aggregate state of accounts and trust that the rules are being applied uniformly. The use of blockchain ensures that **transactions are tamper-evident and verifiable** by all – once a trade and its associated Cyber-Bancor payment (and tariff, if any) are recorded, they become an immutable part of the shared history. This addresses a key concern in any international system: trust. Here, trust is built into the technology; no member can secretly manipulate exchange rates, create units of currency, or alter records without the consensus of the network. According to experts, such DLT-based architecture is ideal for a global reserve currency system, as it enables **transparent, real-time tracking** of balances **without day-to-day centralized intervention**indiafa.org. In other words, the system can **run itself on autopilot**: the rules for currency issuance, tariff computation, and balance adjustments are coded in advance and execute automatically as conditions are met, much like a self-driving monetary system.

Human oversight is thus only required in exceptional cases. There would be no need for daily management of exchange rates or manual clearing of accounts – the blockchain smart contracts handle those instantly as trades occur. **Administrators** (perhaps an international board or the member states collectively) would step in only for **exceptional interventions** such as: if a country hits some alert threshold (for example, a very large persistent deficit or surplus that triggers a review), if there are disputes or appeals for relief (e.g. a country facing a natural disaster might request a temporary rule adjustment), or in the unlikely event of a technical fault or security issue in the platform. These would be rare, by design. Routine operations – from updating a country’s tariff rate annually based on new income data, to crediting a tariff revenue to a member’s account, to transferring Cyber-Bancor units between two trading partners – would all be handled through the code. The ledger could also be programmed to generate **audit flags** if irregular activity is detected, prompting human auditors to investigate only when necessary. Additionally, any **protocol updates** (for instance, improving the formula for tariff calculation or onboarding a new member country’s node) would be carefully reviewed and agreed by the Union’s governance council, and then executed as updates to the software – akin to a blockchain “hard fork” or upgrade process. This ensures that changes to the system are deliberate and transparent, not sudden arbitrary decisions.

The combination of **full transparency** and **algorithmic governance** significantly reduces opportunities for corruption, errors, or political manipulation. Every member knows the rules are enforced impartially by the network. Financial secrecy is curtailed as well – since balances are on a shared ledger, it’s difficult for any country to hide liabilities or secretly amass credits; all imbalances are out in the open, which can pressure both surplus and deficit countries to adjust responsibly. The blockchain-based Cyber-Bancor would therefore embody the principle of a neutral international currency that Keynes envisioned, but using 21st-century tools: it would be **country-neutral and trust-neutral by design**, relying on cryptographic integrity rather than the “good faith” of any single nation or administratorindiafa.org. This decentralized yet **coordinated automation** also cuts down operational costs – no large bureaucracy is needed to manage the currency union, only the infrastructure of the blockchain and periodic oversight meetings. Each member effectively **self-regulates** within the agreed protocol.

From a user perspective (e.g., a business conducting an import/export transaction), much of this happens behind the scenes. A company in Country A might import goods from Country B; when payment is made, Country A’s bank converts the payment into Cyber-Bancor (or uses existing reserves)

and transfers it over the blockchain to Country B's account. The smart contract automatically adds a tariff charge (if applicable) – depositing that portion into Country A's government account – and completes the transfer of the remainder to Country B. All of this could occur nearly instantly and be visible to both countries' authorities. At any time, a member nation can verify its Cyber-Bancor holdings and every transaction that affected its balance, fostering complete **accountability**. Such efficiency and clarity are hard to achieve with traditional international banking systems, but are inherent features of blockchain-based finance indiafa.org. In summary, the Cyber-Bancor Union is designed to function as a **self-driving global monetary system**: policy rules (like allocation and tariffs) provide the direction, and blockchain ensures the engine runs smoothly, with human controllers stepping in only for navigation changes or emergency brakes. This minimizes human biases and errors, and allows the system to operate continuously across time zones and borders with unwavering fidelity to the agreed rules.

Conclusion

Keynes's International Currency Union reimagined with cybercurrency presents a bold, technologically empowered vision for a more balanced global economy. By introducing a **ledger-based world currency** allocated by economic size, it removes the privilege and burden of reserve currency status from any single nation (addressing issues like the Triffin dilemma en.wikipedia.org). By implementing a **universal tariff framework** tied to income levels, it directly confronts the disparities in trade relationships, giving poorer nations a fairer shot at development through trade and nudging richer nations to contribute to a more equitable trading system. The **bilateral tariff mechanism** refines this further, tailoring trade terms in a way that **uplifts lower-income partners** and shares prosperity without resorting to punitive measures on advanced economies. All of this is made viable through the **automation and transparency of blockchain**, which substitutes bureaucratic inertia with algorithmic precision and openness. The result is a system where global imbalances are corrected proactively (through both currency adjustments and trade measures), rather than escalating into crises. It is a system that requires cooperation and trust at the outset (countries must agree to the rules), but once in motion, it **builds trust continuously via its transparent ledger** and fair outcomes.

Implementing such a Cyber-Bancor Union would of course face challenges – political will and international coordination are as crucial as the technology. However, the design deliberately minimizes the need for ongoing political negotiation by baking in rules that adjust automatically to changing economic realities. In that sense, it realizes Keynes's dream of an impartial global clearing house, updated for the 21st century. By harnessing cryptocurrency and smart contracts, we can imagine an international monetary union that **stabilizes exchange rates and balances**, prevents beggar-thy-neighbor policies, and encourages all members toward **growth with equity**. It is a reimagination that stays true to the core of Keynes's proposal – **global economic cooperation** – while leveraging modern tools to overcome the logistical and trust barriers that doomed the original proposal. In a world facing persistent trade tensions and financial uncertainties, the Cyber-Bancor Union offers a compelling blueprint for how nations might collectively engineer a more stable and just economic order, with **code as the honest broker** among them.

Sources: The concept builds on Keynes's ICU proposal indiafa.org, modern analyses of global reserve currency issues en.wikipedia.org, and blockchain's potential in monetary systems indiafa.org. The tariff approach aligns with ideas like trade preferences for developing countries policy.trade.ec.europa.eu and progressive market access schemes business.columbia.edu, while the governance model leverages established advantages of distributed ledgers for transparency and decentralization indiafa.org. All these elements integrate into the envisioned Cyber-Bancor framework to address 21st-century economic challenges with innovative yet principled solutions.