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GLOBALIZATION OF THE MONETARY SYSTEM

Abstract

The article disputes on future development of the international monetary system under conditions of modern globalization. The author asserts that globalization is an objective process, and thus, the international monetary system continues its logical development from the universal money commodity equivalent (gold) through multiple reserve (international) currencies back to the world money of higher order. The intermediate stage of this process can be the creation of target currency zones with leading currencies, one example of which is the single European currency – the Euro. In this context, the question about further development of monetary systems of separate countries (including Ukraine) takes on special importance.

Key words:

Demonetization of gold, globalization, The International Monetary Fund, monetary system, target zones.

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(Continued from the previous issue)

The New Monetary System: Recollections of the Past?

Let us once again recollect the stages of modern monetary genesis, thinking of it as a sequence of spirals:

- from **multiple** commodity exchange options – to settled **few** commodity equivalents – to emergence of a **single** monopolistic commodity equivalent (metal money);
- from **multiple** money metals (copper, lead, silver, gold) – to **bimetal** standard – to **single** gold coin standard;
- from convertibility of **multiple** currencies to gold –to gold bullion standard and gold exchange standard – to **single** currency (US dollar) convertible to gold…

While analyzing the evolution of money from the standpoint of its current stage, we can notice that it unfolds in certain logical sequence – as if in a spiral, so that the final phase of one stage is a starting point for another one. Proceeding from this, what should be the logic of further development? Having lost its special connection with gold, the dollar gradually, though not without struggle, has taken a distinguished place among other currencies, as «the prime among the equal». The idea of multicurrency economy has been gradually getting new grounds, putting forward German mark, Swiss franc, Japanese yen, and Euro as dollar's alternatives and competitors… At the moment, currency exchange settlements (*Continuous Linked Settlements)* between central and transnational banks are carried out through the CLS International Bank – the banking institution created under the US Law on the so-called Edge Corporations (i.e. those authorized to service international transactions of non-residents only), while the monitoring is carried out by the Federal Reserve Bank of New York.

These settlements are performed in 15 currencies, thus determining the multicurrency nature of the modern system[1]. The quantity of currencies is gradually changing (the last four were added in the late 2004), but this dynamics is not likely to take place in the future, since quite noticeable is the effect of a different trend today. It manifests itself in the territorial fragmentation of the world monetary space. For example, the Eurozone, the creation of which has already significantly decreased the number of «settlement currencies» and can decrease

[1] Settlements are performed in Australian, American, Hong-Kong, Canadian, New Zealand, and Singaporean dollars, Euros, British pounds sterling, Japan yens, Swiss francs, Danish, Norwegian, and Swedish crones, South Korean wons, and South African rands.

their number even more at the expense of both the «old» Western European currencies (e. g. Swedish and Danish crones, British pound sterling, and maybe even currently non-«Union» Norwegian crone and Swiss franc) and several «new» EU currencies, which in the future could claim the status of settlement currencies, but will most probably be replaced by the euro (e. g. Polish zloty). In May 2004 not only Malta and Cyprus joined the EU after long time of waiting for their turn, so did our former partners in the Soviet Union – the Baltic Republics (Estonia, Lithuania and Latvia), as well as our neighbours and partners in the socialist camp – Poland, Czech Republic, Slovakia, Hungary, and Slovenia. In 2007 the EU is expected to be enlarged with Romania and Bulgaria. Moreover, the European aspirations of another neighbour – Turkey – should not be ignored either. Croatia has also been actively «knocking on the door» lately. Hopefully, the Euro-aspirations of Ukraine will not remain a mere wish of Ukrainian authorities as well.

Meanwhile, it should be noted that such a significant expansion of the Union can not but generate certain problems, which will hamper its further enlargement. Primarily in result of the fact that the key feature of Eurozone's enlargement consists in relatively large increase in the *number* of member countries compared to moderate increase in the *economic size*. Just to mention that the EU's population of 375mn was complimented with another 106mn people of the new member countries (i. e. 28% growth), whereas the EU's overall gross domestic product of €8.9trln grew by only €467bn (about 5% growth). The problem consists in the fact that the new EU member countries are not only *small,* but also, under the European standards, *poor*. Their average GDP per capita, even calculated on the PPP basis ($9 690), made less than a half of similar figure in the countries of the pre-enlargement European Union ($21 242) [17: 6, 8]. (Although in their time, Spain, Greece and Portugal joined the EU with GDPs approaching or similar to those of the newcomers – Slovenia and Czech Republic [14: 4], which are considered best from the mentioned point of view.) What is also important is that great discrepancies were present in the «United Europe» even before the enlargement. GDP here is not the only example. Thus, the managers of central banks in the Eurozone countries are seriously concerned about significant variance in inflation rates. This problem will inevitably get even more acute in the future becoming the central bankers' bad headache, since in 1996–2002 the variance between average inflation rates in the Euro-zone countries and those in the new EU members (even neglecting the most inflationary Bulgaria and Romania) made nearly 8 percentage points [16: 14].

The new EU members, according to R. Orsi and F. Iacone, authors of «The Eastward Enlargement of the Eurozone», will face a serious challenge generated by the Balassa-Samuelson effect[2], which can increase annual infla-

[2] According to the Balassa-Samuelson theory (proven empirically), close trade integration, first of all, increases labour productivity in exporting branches (the demand for products of which increases at a higher rate). As a result, the wages in these branches grow at higher rates. However, such factors as labour influx and trade-union solidarity (if any!) eventually lead to equalization of wage growth rates in all branches, including non-

tion rates by 1-2 and in some countries 4 per cent [11: 31, 43]. Generally speaking, the accession of new members to the EU has substantially increased the workload for central banks, primarily with respect to capital flows, free exchange of financial services, monetary integration, and financial statistics. The problems connected with the named issues are difficult to resolve. They can conventionally be divided into two groups:

- problems faced by the central bank directly in result of the country's EU accession (these are mostly procedural requirements); and
- problems related to consolidation of the national financial and banking system, its «pulling up»to Western European standards.

The problems in the second group are much more numerous, and potential candidates will be most likely requested to solve them prior to accession. What concerns specific adequacy criteria (Maastricht criteria), – even though they can change in the future, – the theoretical economists (Nobel Prize winner Robert Mundell in the first place), who developed the theory of «optimal currency areas», established some fundamental, principal criteria for such a union. Among them, additional attention draw the need for high economic openness, close trade relations with partner countries and correlation between economic cycles in individual countries and the cycle of basic economic potential of integration [25: 9–10]. At that, the existing convergence criteria will be applied to new members, and the level of meeting them will be measured according to Article 121 of the Protocol on convergence criteria. Among other requirements, the country has to participate for at least two years in the new Exchange Rate Mechanism or ERM-2, at the same time securing the conformity of its foreign-exchange market to set terms without application of any currency control measures (with respect to both capital and current transactions).

The terms of the new ERM-2 are defined in the Amsterdam Resolution of the European Council (June 1997) and in the Agreement between the ECB and the central banks of non-Euro-zone countries (September 1998). Under the ERM-2, central exchange rates between Euro and national currencies are set and adjusted by the ECB together with central banks of respective countries. Temporary exchange rate fluctuations are allowed within a limit of 15%, upon reaching which national central banks are obliged to make unlimited interventions on the foreign exchange market in order to keep the rate within the set limits. Therefore, the new mechanism is consistent with a rather broad range of currency regimes, neglecting only three of them: 1) where there is no agreed central rate to Euro; 2) crawling peg; 3) peg to any currency other than Euro.

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exporting ones, where productivity is growing more slowly. Hence, this disproportion produces price increases in non-exporting branches. This trend is further enhanced by the demand for non-export services in connection with relative growth of population's purchasing capacity. This logical chain of events results in a continuous increase of real exchange rate

We should pay attention to the fact that «Eurocentric» tendencies manifest themselves not only in Europe[3]. The (currently) positive practice of implementing common currency within the borders of the EU has become a new impetus to worldwide monetary integrations – both the old (which existed as if on the periphery of the world monetary system and produced insignificant effect on the rest of the world) and the new ones (the origin of which was a direct result of Euro introduction).

The oldest ever monetary integration was set up in 1910 in South Africa. Since that time it has naturally undergone some changes. In 1921, after establishment of the Reserve Bank of South Africa, the South African pound became a single legal means of payment in the countries that today are members of the Common Monetary Area (CMA) and in Bechuanaland (today – Bostwana). The creation of this monetary union was largely supported by Great Britain, which possessed vast experience, including that on the territory of Africa [24: 34]. The Rand Monetary Area, as it was called at that time, lasted until July 1986. Thereafter, due to a change in the position of Swaziland, a new Trilateral Monetary Area Agreement was signed, which in its turn was substituted by the current Agreement of February 1992 after Namibia (which was *de facto* member of the union from its very beginning) has decided to join the CMA officially. Modern currency relations between the Republic of South Africa, Lesotho, Namibia, and

[3] On the other hand, in Europe (at least some part of it) can appear another «common monetary area», the idea of which is brought forward by Russia. Keeping in mind the hypothetical possibility of having such a union created, we will nevertheless omit getting into its detailed analysis, primarily because of the lack of relevant materials, even in spite of numerous publications by mostly Russian authors. As a matter of fact, except for the idea of counterbalancing the Eurozone by creating a new area of collective currency, the role of which is assumed (in our opinion, groundlessly) to be taken by the Russian rouble, nothing serious was actually offered. This is demonstrated even by the uncertainty surrounding the format of this area, in the capacity of which in different times were offered the CIS, the Union of Russia and Belarus, Euro-Asia-EU, and the Common Free Market Zone… The author, who happened to take part in such integration negotiations, did not manage to get answers in due time to such simple questions, as «What are the concrete advantages of the common currency compared to the system of mutual convertibility, which can be set in place immediately?» or «Why should rouble become common currency, if among the prospective member countries are those whose currencies have demonstrated more stability over the last years?» Finally, after the question: «In which country will the Common Central Bank be situated, and the representative of which country will hold the position of Director?» – the authors of the idea had no wish to continue this professional discussion. (Obviously, the answer should have been simple: «The Central Bank, – aka the Central Bank of the Russian Federation, – will go on being located in Moscow, and it will be managed by the citizen of Russia».) The practical steps taken in this direction also failed. Thus, the International CIS Bank established in 1993 remains to be a small (even on the Russian scale) commercial bank that issues loans to finance certain projects in the CIS countries; the Treaty on Payment Union signed in 1994 is practically ineffective (since all the CIS countries declared convertibility of their currencies, they do not need the mechanism used both in Western Europe back in 1950s and in the CMEA in case of the lack of convertibility).

Swaziland rest upon the Multilateral Monetary Agreement (MMA), which served the basis for creation of the Common Monetary Area (CMA). At that, it was agreed that in spite of the availability of common currency[4], each country of the CMA was responsible for its own monetary policy and monitoring over financial and credit institutions on its own territory.

With respect to other countries of the Southern African Development Community (SADC), in neither the Declaration nor the SADC Treaty of 1992 mentioned was the possibility of single currency introduction. Nevertheless, we can make a conclusion that the very creation of the monetary union could become the next stage in the Community's development.

In February 1999, F. Keni, Chief Economist of SADC said that «globalization pushes SADC towards harmonization of macroeconomic policy, fiscal policy and establishment of the Common Southern African Central Bank». An intensive impulse to the development of this idea was given by the Director of the Reserve Bank in the SAR T. Mboweni, though he admits that the problems related to creation of the monetary union and introduction of common currency need much time and niggling. But at the World Economic Forum's Southern African Summit, held in 2003 in Durban, many participants focused their attention on the need for creation of a common stock exchange market and introduction of common currency in the SADC countries.

In August 2003, the Summit of Heads of State and Government of Southern African Development Community was held in Dar es Salaam (Tanzania). The Summit, which took place in Tanzania for the first time since the organization's establishment in 1992, assembled more than 700 delegates that represented not only official bodies, but also international organizations, economic experts, financial institutions, mass media, etc. The Summit approved the Regional Indicative Strategic Development Plan – RISDP) elaborated during the previous two years and intended to considerably deepen the economic integration among the Community's member countries. The Plan anticipates a step-by-step implementation of the following measures:

- 2005: creation of the SADC Regional Development Fund and Community's self-financing mechanism;
- 2006: removal of exchange controls over transactions between SADC member countries;
- 2008: creation of SADC free trade area;
- 2010: creation of SADC Customs Union and implementation of common external tariffs;

[4] Here, meant is the Southern African rand, which is freely circulating on the territories of all member countries of the integration, while local currencies are freely exchanged for rand at fixed parity.

- 2016: establishment of the Central Bank of SADC and preparation for introduction of the SADC's common currency.

In parallel with the SADC Summit, the Ordinary Meeting of the Assembly of Governors of the Association of African Central Banks was held in Kampala (Uganda). After the meeting, Governors of Central Banks of SADC member countries had a separate meeting, where they came to an agreement about a common money and finance strategy aimed at deeper economic integration of their countries.

Meanwhile, worth mentioning is the fact that around the same time the Economic Community of West African States has also adopted a plan that stipulated for the introduction of common currency in July 2005. That rather unrealistic haste could be explained by certain anxiety about the ability of France to continue effectively fulfilling its monetary responsibilities towards the West African Monetary Union and the Monetary Union of Central Africa. As it has been mentioned above, after introduction of the Euro, France remained guarantor of the stability of the «African franc» (CFA franc), although the monetary powers over its own currency «moved» to the ECB, the latter being in no hurry to assume responsibility for regulation of «the common currency area» of the African countries. Hence, the «inertia» of the former monetary union could soon fade away, and that is why the governments of the respective African countries tried to find a new mechanism of such regulation.

The aim of introducing the common currency («Afro») was declared at the establishment of the African Union. Thus, its detailed discussion by the experts could be viewed as an attempt to implement a political program. At that, it was pointed out that the similar process in Western Europe (EU) took forty years. (Although, in the opinion of many experts, in Africa it could take less time on condition that such problems as armed conflicts, lack of political responsibility and negligence of domestic laws in some countries on the continent are resolved).

Against this background, the creation of monetary unions within the SADC and ECOBAS could be viewed as regional attempts to resolve the all-continental problems.

In addition, much effort has been put into introduction of common currency in Asia as well, which created good reasons to speak of the planned introduction of the common «Asian dollar». The idea of the «Asian Monetary Union» may seem just a tribute to fickle fashion. Nevertheless, Nobel Prize winner R. Mundell (who is believed to be the «father» of common European currency) supported that idea. The Malaysian Prime-minister A. Badawi declared in the summer of 2004 that since Asian economic integration was no longer a mere wish, but reality, there should be no obstacles to thorough examination of the regional monetary integration problems [20]. Moreover, some steps had already been made. Thus, in January 1992 the ASEAN members agreed to create a free trade zone within the framework of this integration. The final objective for creation of this zone should be the reduction of customs tariffs to no more than 5 percent and full removal of non-tariff barriers. If successful, it will undoubtedly contribute to further integration in the monetary area. In November 1997, the so called «Manila Group» of 14 countries of South-Eastern Asia was created to prevent financial crises and to coordinate financial action. Later, the Swap-Crediting Agreement was signed to support stable exchange rates (similar to the Euro-Treaty of 1980-1990) among Indonesia, Malaysia, Singapore, Thailand, and Philippines. In May 2000, the effect of this Agreement within the frames of the «Chiang Mai Initiative» was spread not only throughout all ASEAN countries, but also through China, South Korea and Japan, which activated their stabilized crediting in dozens of billions of US dollars. The Agreement is often viewed as the foundation for the future Asian Monetary Union, even if it is too early to take this viewpoint as realistic [7: 96].

In December 1998, the Hanoi Action Plan of the ASEAN countries envisaged the analysis of current monetary system in its member countries. It was followed by some international conferences on creation of the common Asian currency (Malaysia provided much support in its organization). Naturally, not much can so far be said about the format of the presumable union. The basic currency of the latter was assumed to be the Japanese yen. Nevertheless, the changed balance of powers in the Asian segment of the world market pushed the Chinese yuan into leaders. Taking into consideration the possible «teaming» of the PRC (or politically more correct – Mainland China) with not only Hong-Kong, but also Taiwan, some experts consider that a basis for the regional monetary union could become the «Chinese Economic Area». It is quite probable that some basis would be made by ASEAN+3 (plus China, Japan and South Korea) or even by ASEAN+4 (India in addition), which would noticeably change the situation. Consequently, as opposed to the «Afro» initiative (which is also rather «raw» and sceptically taken by many experts), the «Asian dollar» initiative has not yet been formalized so far. However, in the context of analysing the world monetary system's development perspectives, the trend in itself is very significant.

The European practice is being closely watched by Latin America where in the period of 1960-1980 established were the Central American Monetary Union, the Multilateral Compensation and Reciprocal Credit Mechanism of the Latin American Integration Association, and the Caribbean Stabilization Fund. Nevertheless, the 1964 Agreement on Central American Monetary Union and the 1974 Central American Monetary Agreement did not bring to creation of a full-fledged common currency. Thus, the Central American peso was used exclusively for mutual offsetting of debts. In 1983 steps were taken to promote the monetary integration among the Caribbean countries, which lead creation of the Eastern Caribbean Central Bank and introduction of the common currency – the Eastern Caribbean dollar. The latter though, being pegged to dollar, did not become a fully independent currency. In this part of the world we also find examples of actual rejection of the own currency in favour of the US dollar, even without formal creation of the monetary union or any commitments on the side of Federal Reserve System of the USA. Among the recent examples are Ecuador and Salvador, which joined Panama that has followed such a policy for quite a long time. It is also general knowledge that at the break of the 2002 crisis, Argentina declared similar intentions.

«Therefore, – assert some experts, – the Western European version of the monetary area is a monetary union based on the economic union, with common currency of domestic European origin. In Latin America, the common currency area is founded on the external currency, which is first used for external settlements, later driving out national currency from domestic circulation. In Africa, the unit of settlement is pegged to foreign currency, which is used for external settlements, but does not enter the domestic ones; the emission of the collective money is realized by the former mother country. The projects of the African and the Asian Monetary Unions combine the elements of the European and the operating African models in different proportions» [4: 12]. Consequently, we can observe the processes of regional currency integration that leads to reduction (if not always *de jure*, then at least *de facto*) in the number of national currencies, as well as gradual division of the world monetary space into regional monetary blocks,[5] which – like pieces of a puzzle – will shape a new monetary system with a single world currency that will in the end replace the few regional ones.

The way this process will develop in the future is hardly predictable. At the pre-final stage of this evolution – before appearance of the single world currency – do not necessarily have to appear «continental» currencies, such as Euro, Afro, Latino… This role can be played by regional reserve currencies: such claims are already laid by the Euro and Swiss franc in Europe; to a lesser extent by the Japanese yen against Chinese yuan (or under certain circumstances in the future, by the Indian rupiah) in Asia; by the Mexican and Argentinean peso (weakened by financial crises), as well as Brazilian real in Latin America; and the South African rand in Africa. The Russian rouble also has certain claims to inclusion into the multicurrency basket.

However, most experts seem to incline to the theory of «target currency zones» – the grouping of separate currencies in several zones around the leading currencies (most often referred to dollar, euro and yen, although concerning the latter, «there could be alternatives»), tied up by fixed exchange rates or limited fluctuation. The first problem which arises in connection with this idea is the limit of acceptable misalignment between the leading currencies. The most ambitious plan would be to introduce rigid «target zones», as suggested by F. Bergsten *(Director of Washington Institute for International Economics and Head of the so called «shadow G7» – the «brain trust» which consults the leaders of G7).* In conformity with this approach, there should be a band, within which central exchange rates of the Euro, dollar and yen could fluctuate. Central exchange rates would be determined so that to ensure internal and external equilibrium of economies and later periodically adjusted, depending on the cor-

[5] One cannot but notice certain analogy with the prewar monetary blocks of the pound sterling, franc, etc, which have been organically integrated into the system of the only currency convertible into gold – the US dollar.

relation between the rates of inflation and other fundamental economic indicators. At the same time, the band limits should be rather wide (10–15%). The problem here consists in the fact that it not possible to reach consensus within the G7 because, according to expert predictions, as exchange rates would approach the band limit, this will automatically result in speculative attacks, which would only worsen the situation.

A softer option is when the countries agree to coordinate principle required measures in the case when exchange rate fluctuations move beyond the set limits. At that, neither the band limits, nor the central exchange rates are announced. In other words, here offered is something similar to the Louvre Agreement of 1987. This system is more flexible, since it does not impose any constraints on the monetary authorities of separate countries, which only have to agree on taking necessary measures in order to bring the exchange rates back into the band limits without having to wait for approval at the next meeting of the G7 or the IMF.

On the whole, the problem of further reformation of the current monetary system can be seriously considered only in complex. For example, the way it was offered by the former French Prime-Minister E. Balladur in his May 1999 speech at Washington Institute for International Economics. From his point of view, the measures required to improve the organization of the world monetary system include the following:

- the G-7 should reform their own operational procedures, clearly determine the functions of the IMF, and exclude the conflict of interests between governments and central banks;
- the IMF should guarantee the quality of the member-countries' currencies, and for that, it should control whether the countries comply with certain rules and prudential norms;
- «target zones» will be the best way to stabilize exchange rate fluctuations;
- in order to generate positive effects for the entire world, it is necessary to think over the creation of the world currency already today; the creation of a more objective «currency basket» than SDR is the first step in this direction.

The discussions about the future of the world monetary system also carry an idea that its restructuring includes the consolidation of the UNO's positions[6],

[6] The author accentuated this idea in his presentation at a specialized round table at the Monterey International UNO Conference (2002). The logic of that connection, in our opinion, flows out of both the necessity to concentrate resources of the world community for resolution of global socio-economic problems and the fact that the «Bretton-Woods institutions» were formally established as the UNO's institutions (though with specific status), and therefore, it would be logical to «put them back» to «the UNO family» after

in particular by way of establishing the Economic Security Council and reforming the functions of the IMF so that to transform it into the World Central Bank. We can see how deeply the reformation of the world monetary system is interlinked with other global challenges from the fact that this issue was consecutively discussed at such global forums as the Earth Summit (Rio-de-Janeiro, 1992), Cairo Conference on Population (1994), the Social Summit (Copenhagen, 1995), the International Conference on Development Financing (Monterrey, 2002), and the Summit on Sustainable Development (Johannesburg, 2002). Nevertheless, mainly the financial needs and the financing mechanisms of global development were the key issues of discussion. In this connection, worthy of mention is an idea of «global tax». The most known version of that tax is the so called «Tobin tax», which might presumably be collected as 0.5% of the value of each exchange transaction (the UNO, as a beneficiary, would thus raise $1.5trln). In view of an utterly fantastic size of the probable fund, more down-to-earth UN officials agreed to 0.1%, which would collect $150bn (100 times more than the total of membership fees paid by all UN member-countries). The tax – proposed by the Professor of Yale University J. Tobin and first presented by the UN Financing Commission at the International Conference on Development in January 1992 – was offered as an instrument which could be used to reduce the limits of exchange rate fluctuations. The idea was immediately criticized: a small tax would not produce a significant effect on fluctuation, whereas a larger tax would be absolutely unrealistic to collect. Nevertheless, the idea was supported by Canada, France and Denmark, which decided to put it onto the agenda during the next meeting of the G-7 in June 1992[7].

Experts also focus their attention on the problems of reforming the International Monetary Fund itself. The IMF is not the lender of last resort, in the sense of providing unlimited assistance in case of financial difficulties. The IMF has clearly defined credit terms and limited credit resources. All this noticeably distinguishes this institution from central banks with their discreet monetary policy and makes the IMF's transformation into something similar to the World Central Bank impossible – at least without its cardinal restructuring, which seems to become an urgent requirement, in particular connected with the need to resolve the problem of the lender of last resort. For example, Ch. Kindleberger noted that the Great Depression of 1929-1933 could have been avoided should there had been the international lender of last resort, similar to the Bank of England or the US FRS [30]. The former IMF's First Vice-Executive Director S. Fisher, in his speech in January 1999 to the American Economic Association (New York), expressed the idea that in the modern conditions the FRS could take that respon-

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they had been functioning (because of different reasons) for many years in an autonomous regime.

[7] In fact, this question was discussed during the meeting of G7 only in 1995 (Canada, Halifax), and until now it remains the key problem of broad – although, in this author's opinion, hopeless – discussions. The idea of the Tobin tax has many followers among representatives of those institutions that could lay claims to extra funds, but not a single one among those who would have to pay it.

sibility upon itself if it corresponded with the interests of the USA. However, the problem is that the presence of such a lender of last resort is more in the interest of other countries because the volume of international capital flows has become enormous, and unexpected reversals in capital flows could cause panic on the financial market of any country. In these conditions, the role of a stabilizing factor could be the lender of last resort that would guarantee the availability of required stabilization financing.

Sceptics allege that the IMF is not a central bank, it is more of a world credit union. At the same time, those who support the Fund's role of the lender of last resort usually argue that this was performed on domestic markets by other institutions, including private ones. Moreover, they bring an example of the J. P. Morgan Bank in 1907 (although it was a forced «substitution» prior to establishment of the FRS). Actually, the question most probably lies in the lack of required financial reserves[8] and the reluctance of the leading developed nations to accumulate them to guarantee stability on the markets of other countries (which, in addition, often enter the world market as new competitors). However, as we see it, the deepening of globalization (including growth of foreign investments to emerging markets, as well as high «contangiousness» of financial crises) will force governments of the respective countries to make additional expenditures in order to stabilize the world monetary system. Another way out is to entrust the IMF with the right to discretionary issue of international liquid means – SDR. However, at the moment, the chances of using SDRs are rather limited, just because the latter are not an independent currency, but only the right to borrow in the currency of one of the IMF's members (in case its balance on the IMF's account exceeds an established quota). Consequently, we come back again to the problem of the common world currency (the creation of which is likely to take a very long and unpredicted path).

Meanwhile, the reformation of the International Monetary Fund as a main element in the world monetary system proceeds along other directions as well. In some cases, these are fundamental changes (those approved by the Resolution of Management Board in January 1976 in Jamaica), in other – routine ones (creating new authorities or launching new financing programs). Current proposals on changing the IMF's role in averting international financial crises are not new as well. The questions concerning the need to improve the coordination of monetary policy between separate countries, to increase the contribution of the IMF to global liquidity, as well as to change the established relations between the IMF, other international financial organizations and big private banks, as well

[8] According to estimations of the IMF's experts, in spite of continuously growing quotas, had the correlation between the IMF's capital and the size of national income of the Fund's member countries been maintained at the initial level set in 1944, the Fund would have been **three times** larger; had the IMF adhered to calculating the quotas according to the formula used at the time of its foundation, the Fund would have currently been **five times** larger; had the ratio between the IMF's capital and the volume of the world trade preserved, the Fund would have been **nine times** larger. However, the IMF's initial functions had not provided for its performance in the capacity of the lender of last resort.

as to take special measures aimed at supporting international financial stability, were raised back in the mid-1980s [27: 145].

All these development did not go unnoticed by the soviet experts, who directly pointed to the fact that now «emerges such a system of regulation, under which the development of major measures in the monetary area is a result of the joint efforts of governments, central banks, and the biggest bank monopolies, while the task of implementing those measures is mainly delegated to private sector. The instrumental branch of that mechanism is the IMF, which plays the role of a coordinator and a catalyst of changes both in the policies of certain countries and in the activity of private sector» [3: 17]. The IMF has become even more significant after transition of the Eastern European and former USSR countries to market economy. It was just those events that allowed the Fund to turn into the truly global institution it had always attempted to be [22: 284].

Another direction for further reformation of the Fund could be to vest it with the functions of a coordinator over the debtor countries' bankruptcy process. As you know, «no one considers today the question of issuing internal loans without the formal bankruptcy procedure. Similar logic should be followed in issuing loans to other countries. It's time to admit that» [13: 12]. In November 2001, First Deputy Managing Director of the IMF Anne Krueger announced that the Fund was planning to regulate this process. Article 11 of the US Law on Bankruptcy could greatly contribute to the issue, but the official Washington acted standoffish with respect to that idea [12: 2]. In principle, this problem is acute: «The lack of a mechanism, which would anticipate actions of the majority within different groups of creditors, is the main source of complexities with respect to providing collective action» [21: 7]. The creditors faced that problem on practice when they restructured the debts of some countries of Latin America and Russia. By the way, Ukraine has also paid much attention to that problem and could say its «weighty» word and be more active in settling the issues of reformation and development of the world monetary system, the effective functioning of which has an impact on both the situation in the domestic economy and the conditions for foreign economic cooperation.

Conclusions

The globalization of the world monetary system is unfolding from the very moment of its birth. At least some researches assert that in 330 B.C. Alexander the Great, after having got victory over Persia, managed to concentrate practically all gold and silver of that time in his hands (about 9 thousand tons). Eventually, Macedonian tetradrachms became the world currency (in any event, on the territory of almost all known to Greeks ecumenes). Nevertheless, after the death of Grand General, the treasures spread throughout different kingdoms, overstocked the channels of currency circulation, and thus prompted the first inflation in the Mediterranean countries.

The next worldwide inflation was observed only in the 16th century after the inflow of precious metals had come to Europe from the New World. According to some estimates, the volume of gold mining in the 16–17th century reached nearly 3.4 thousand tons, i.e. a third of total amount of the yellow metal mined during the whole preceding history of mankind. In Spain, into which American gold was directed in the first place and in the greatest amounts, the prices in the 16th century increased three and a half times.

Therefore, we can find examples of monetary crises and mechanisms of their global spreading in the history long before the emergence of the term «globalization»[9] and before the appearance of anti-globalists' accusations against separate superpowers, transnational banks and international financial institutions.

On the other hand, when the processes of globalization in monetary relations of recent decades and years are viewed from the standpoint of Hegelian dialectics, we can come to a conclusion that at the regular **turn of development spiral quantity transforms** (*from many settlement currencies to a single one)* **into quality**: it is the process of emerging «global money», which reflects principally new socio-economic relations in the world economic space. The emergence of the latter can signalize the outcome of the **conflict and unity of opposites –** *the single world monopolistic commodity equivalent (gold money) and manifold notes of credit and fiduciary (paper) money of separate governments and central banks* – which via **negation of negation** (*different «national» moneys negate the world's only (in its material form) gold money, and only after that the single world currency negates different «national currencies»)* comes to **single world currency based on generality of credit relations in the modern world**.

The duration of this stage in the evolution of the single world money can hardly be predicted today, as it proceeds at changing speeds and along different (often opposite) vectors. The appearance of the world money in result of emissive activity of a single world central bank in its classical sense (let's call it «administrative scenario») demands presence of a single world government, which is utopia. Nevertheless, there is another scenario – the «market» one, when the process of «crystallization» occurring in the mix of international monetary relations (national, regional, inter-regional, and global) leads to the emergence of super-currencies (the currencies of leading economies, such as US dollar, or «integration currencies», such as Euro), the market interdependence of which could gradually bring them to «amalgamation» (in chemistry terms), thus creating a single currency. Begging reader's excuse for this rather excessive imagery,

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[9] The term «globalization» is considered to have been used for the first time in 1983 by the American researcher T. Levitt in his paper published in the Harvard Business Review, where he used it to describe the process of merging of certain products manufactured by transnational corporations. The term acquired a new, broader meaning after the 25th World Economic Forum in Davos held under the title «Globalization of Key Processes on the Planet».

we can say that the latter scenario reveals a transition from liberal («feline»)[10] and administrative («draconian»)[11] to market-paternalistic «dragon»[12] economy.

The historical rivalry among these types of economic life organization has not come to an end yet, and the very fact of accelerated globalization (traditionally believed to be the product of liberal economy) proves the ambiguity of the present state of things**.** The same ambiguity can be observed in monetary relations. The practice of recent decades shows how devastating were the international financial crises for the markets of the countries with «pegged» exchange rates (Thailand, South Korea, Indonesia, Russia). A telling example was Argentina, with its peso fixed to US dollar. Nevertheless, the countries with «floating» currencies – Mexico, Turkey and South Africa – have not resisted the «waves» of currency fluctuation as well.

Another example relates to the principle of free movement of capital. The Bretton Woods system stipulated for capital controls in cases of both inflow and especially outflow of capital. In the situation which occurred during the Asian financial crisis, many experts pressed for immediate introduction of additional measures of this kind. In practice, however, only Malaysia did it. The governments of other countries declined, referring to low effectiveness of administrative restrictions and simplicity of their avoidance. Those were actual steps of the adherents of «paternalistic» approach to development of economic relations. However, if we take a look at the camp of liberals (and the IMF as their symbol), we can notice that, for example, H. Koehler, – who only recently held the position of IMF's Executive Director, – among the six steps that, in his opinion, should be taken to improve globalization, spoke of the need for international regulatory system. At that, he pointed out that multilateral decisions would be effective only if they did not substitute for national responsibility.

Therefore, we might expect that the evolution of monetary relations globalization, – in following the development of money as an economic category, – will develop according to the laws of dialectics – not by simply rejecting the old

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[10] As is generally known, this type of economy is often called «laissez faire – laissez passer», i.e. such an economy where the state does not intervene into economic processes, allowing business «to go wherever it wants». This term was first used by A. Smith, who quoted an old French song about the sun that «goes wherever it wants». To describe this situation we are used to using the phrase «a cat that walks by itself»; thus, in the author's opinion, there would be more logic in using here the term «feline» economy.

[11] The economy of this type is based on rigid, even cruel juridical laws, – such as those in the times of Legislator Draco in the Ancient Greece, – allowing the state to intervene into economic processes, even if it violates economic laws.

[12] The type of economy built (although far from its ideal form) in some countries of South-Eastern Asia which are often called «the new dragons». Here, the state intervenes in the economy to support the effect of economic laws in the areas viewed as most important and promising for the development of national economy and consolidation of its competitive capacity on the world market.

and outdated concepts, but by absorbing all the positive things gained by previous generations.

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