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Evolution of the International Monetary and Financial System in the Modern Global Economy

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Abstract: The article examines the evolution of the international monetary and financial system and the stages of development of the evolution of the world monetary system in the modern stage of the economy. Also, a draft of a new world monetary system has been developed.

Keywords: currency relations, monetary and financial system, global economy, globalization of world economic relations, international settlements

International monetary relations is one special form of international economic relations that arise when money is used in world economic relations. International monetary relations arose when money began to function in international circulation. The forms of world money have changed over time, and the terms of international settlements have also changed. At the same time, the importance of the system of world money circulation increased and the degree of its relative independence increased. This is followed by a period when the monetary system, within certain limits, meets the conditions and needs of the economy. This leads to a relatively efficient use of this system. However, this relative stability does not exclude the occurrence of local crises of the entire system.

In the context of globalization of world economic relations, the flows of national and foreign capital of different states are increasingly intertwined with each other. Economic and currency crises and unfavorable trends in the dynamics of world currency markets negatively affect the state of exports and imports, the investment climate, the development of the securities market of countries involved in the process of the international division of labor. Positive trends in the world foreign exchange market stabilize international trade, the effective development of economic sectors, the inflow of investments into the economies of many countries and, as a result, provide a positive balance of payments[1].

Over time, international monetary relations have acquired certain forms of organization in the form of monetary systems of individual states, their regional associations and the world monetary system. The "Modern Economic Dictionary" gives the following definition of the monetary system: "Monetary system is a set of currencies, rules and norms for their use and mutual exchange, use as means of payment, as well as monetary relations associated with the circulation of currency[2]."

The monetary system is a form of organization of monetary relations at the national, regional or global level and is part of the economic system of the state. Let us consider in more detail the evolution of the world monetary system and the problems of international monetary relations at the present stage. In the course of its development, the world monetary system has gone through several stages:

Stage 1 - the Parisian monetary system (1867-1922);

Stage 2 - Genoese monetary system (1922-1944);

Stage 3 - Bretton Woods monetary system (1944-1976);

Stage 4 - the Jamaican monetary system (from 1976 to the present).

The Parisian monetary system consolidated the transition from the silver standard of the French franc to the gold standard, gold monometallism. This was due to the victory of Germany over its debtor France and the creation of the Second German Reich. France, after the fall of the empire of Napoleon I and the Paris Commune, had to pay an indemnity to Germany in terms of the gold standard, after which the gold German mark took third place after the pound sterling and the US dollar and became the leading world and European currency.

The main principles of the Parisian monetary system were:

1. Gold coin standard;

2. Mandatory gold content of currencies, on the basis of which their gold parity was established. The parity of coins of different countries in world markets was determined by the simple weight ratio of the gold contained in them;

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3. Mode of free floating rates, depending on changes in market supply and demand, but within the gold points.

It should be noted that the regulatory effect of the gold coin standard ceased to operate during periods of economic crises. Since the end of the nineteenth century, there has been a tendency for a decrease in the gold content in the money supply of most countries. In the USA, France, Great Britain, it decreased from 28% in 1872 to 10% in 1913, and in official reserves - from 94% in 1880 to 80% in 1913. The crisis of the Parisian monetary system, which began in 1913 year, especially aggravated during the First World War (1914-1918). Its reasons were: huge military spending, often financed by gold, and the increased emission of credit money. This led to a discrepancy in rates between full and defective money, and, consequently, to fluctuations in rates in world markets. To regulate the foreign exchange market, foreign exchange restrictions were introduced and exchange rates were compulsorily set in relation to gold.

As a result of the crisis, the world monetary system was transferred to the new principles of organization, which were officially formalized at the Genoa International Economic Conference in 1922. The countries that won the First World War - the United States, Great Britain and France - received great advantages for the economies and currencies of their states.

The Genoese monetary system existed relatively stably from 1922 to 1928, followed by a systemic currency crisis, which became a logical continuation of the global economic crisis that began in 1929 and lasted until 1936. The currency crisis was deep and long-lasting, since between the countries of the world after During the First World War, there were close cooperation ties in the field of intergovernmental credit relations, which predetermined a fairly rapid movement of economic problems from one country to another. Many states were forced to abandon the exchange of their currencies for gold[3].

The Bretton Woods Conference (officially the United Nations Monetary and Financial Conference) was held on July 1-22, 1944 in the United States (New Hampshire, Bretton Woods). The conference was attended by 730 delegates from 44 states. The goals of the conference were the regulation of international monetary and financial relations after the end of the Second World War, as well as the coordination of the principles of a new monetary system.

The Second World War led to a deepening crisis of the Genoa monetary system, which was formalized by an interstate agreement at the Genoa International Economic Conference in 1922 (a gold exchange standard based on gold and leading currencies that are converted into gold).

The development of the project for a new world monetary system began during the war years, in April 1943. The United States sought to consolidate the dollar's dominance in the global monetary system, which was reflected in the plan of Harry Dexter White, head of the currency research department of the US Treasury.

As a result of long discussions over the plans of Harry Dexter White and British economist John Maynard Keynes, the American project was formally defeated, although Keynesian ideas were also the basis of the new financial system.

Conference results:

1. Adopted the Bretton Woods monetary system (gold exchange standard based on gold and two reserve currencies - the US dollar and the pound sterling). The Bretton Woods Agreement provided for:

a) maintaining gold parities of currencies and fixing them in the IMF;

b) gold - as an international means of payment and reserve;

c) equating the dollar with gold ($ 35 per 1 troy ounce, equal to 31.1035 and securing it the status of the main reserve currency;

d) the introduction of mutual convertibility of currencies; establishment of a regime of fixed exchange rates, etc.

2. The International Monetary Fund (IMF) has been created to provide loans in foreign currency to cover the deficit of balances of payments in order to support unstable currencies, control compliance with the principles of the world monetary system, as well as to ensure currency cooperation between countries.

3. The International Bank for Reconstruction and Development (IBRD), an interstate investment institution, was created.

4. The General Agreement on Tariffs and Trade (GATT) was signed.

5. The rules for organizing world trade, currency, credit and financial relations have been established.

The Bretton Woods monetary system was supposed to ensure the stability of monetary relations in the world, the stability of exchange rates and international monetary cooperation. In fact, it created unilateral advantages and benefits

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for the United States, as it provided the US dollar with the status of a universal means of payment and a reserve currency. The dollar has become the base of foreign exchange priorities, the predominant vehicle for international settlements, foreign exchange interventions and reserve assets.

As soon as the industrialized countries recovered the potential destroyed by the war and Western Europe and Japan became competitors to the United States, a crisis of this system broke out, leading to its gradual collapse in 1971-1976. As a result, the exchange of dollars for gold stopped, the official price of gold was canceled, fixed exchange rates were replaced by floating rates, and currency zones disintegrated. The forms of manifestation of the crisis of the Bretton Woods monetary system were: currency and gold rush; massive devaluation and revaluation of currencies; panic at the stock exchange; active intervention of central banks, including collective; activation of national and interstate currency regulation.

The Bretton Woods monetary system ceased to exist in 1971 after the signing of the Smithsonian Agreement, an international treaty initiated by US President Richard Nixon to overcome the negative consequences of the Bretton Woods system. And in 1976, the agreement of the IMF member countries formalized the Jamaican world monetary system, which replaced the Bretton Woods.

The institutions of the IMF and IBRD, created by the decisions of the UN Monetary and Financial Conference, still play a key role in the development and regulation of the world economy.

Along with the aforementioned organizations, the GATT agreement also continued to play an equally important role until 1994, when it was replaced by the World Trade Organization (WTO) [4].

The modern monetary system is not subject to any rigid rules of operation. By its nature, it is a motto system with a combination of fixed and floating exchange rates, regulated both on a bilateral basis through an agreement between countries, and multilaterally through the mechanisms of the IMF. In the course of evolution, changes were made and the key links of the world monetary system were improved. Recently, the global foreign exchange market has been subject to significant regulatory and technological changes, which, in turn, affect the composition of its participants and the structure of the market. One of the main trends is a decline in the share of traditional interbank trade, while transactions between banks and other financial institutions: management companies, hedge funds, institutional and private investors are growing at an outstripping pace.

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