#  Stages of currency development

The patterns of development of the monetary system are determined by the reproduction criterion and reflect the main stages of development of the national and world economy. This criterion is manifested in the periodic inconsistency of the principles of the world monetary system with changes in the structure of the world economy, as well as in the distribution of forces between its main centers. In this regard, a crisis of the world monetary system periodically occurs. This is an explosion of currency contradictions, a sharp disruption of its functioning, manifested in the mismatch of the structural principles of the organization of the world monetary mechanism with the changed conditions of production, world trade, and the balance of power in the world. This concept emerged with the crisis of the first world monetary system - gold monometallism. Periodic crises of the world monetary system take a correspondingly long historical period of time: the crisis of the gold monetary standard lasted about 10 years (1913-1922). The Genoese monetary system lasted 8 years (1929-1936), and the Bretton Woods system - 10 years (1967-1976).

In the event of a crisis in the world monetary system, its structural principles are disrupted and currency contradictions sharply escalate. The periodicity of the crisis of the world monetary system is based on the adaptation of its structural principles to the changed conditions and the balance of power in the world. Acute outbreaks and dramatic events associated with currency crises cannot continue for long without threatening to recur. Therefore, various means are used to smooth out the acute forms of the currency crisis and to reform the global monetary system.

The crisis of the global monetary system leads to the breakdown of the old system and its replacement by a new one, which ensures relative currency stabilization. The creation of a new global monetary system goes through three main stages:

- formation, formation of preconditions, and definition of the principles of the new system: at the same time, its continuity with the old system is preserved

- formation of structural unity, completion of construction, gradual activation of the principles of the new system:

-creation of a fully functioning developed world monetary system based on complete integrity and organic linkage of its elements.
The United States was almost the only country to retain the gold standard, and the dollar appreciated against Western European currencies by 10-90%.

The United States fought for the dollar's hegemony, but achieved reserve currency status only after World War II. In the interwar period, the dollar and the pound sterling, which were in a state of active currency war, did not receive universal recognition.

Currency stabilization was triggered by the global crisis in the 1930s. The main features of the global currency crisis of 1929-1936 are as follows

- Cyclical nature: the currency crisis was intertwined with the global economic and monetary crisis;

- Structural nature: the principles of the world monetary system - the gold standard - failed;

- long duration: from 1929 to the fall of 1936;

- exceptional depth and severity: the exchange rate of a number of currencies fell by 50-84% This is followed by a period when the monetary and economic situation of individual countries improves, and the global monetary system meets the conditions and needs of the economy within certain limits, functioning relatively effectively in the interests of the leading powers. This was the case at first after the creation of the Paris, Genoa and Bretton Woods monetary systems. Local currency crises affect individual countries or a group of countries even when the global monetary system is relatively stable. For example, after the Second World War, local currency crises periodically erupted in France, the United Kingdom, Italy, and other countries.
There is a direct link between the currency crisis and the process of social reproduction, since the causes of the crisis are rooted in its contradictions, and there is a feedback, which is manifested in the socio-economic consequences of shocks in the currency sphere. Currency crises are accompanied by aggravation of currency contradictions, which periodically escalate into currency wars between leading countries, accompanied by the struggle for currency hegemony in order to create optimal conditions for enrichment of major national enterprises.

Currency crises are usually intertwined with instability in international currency relations. Violation of their stability is manifested in exchange rate instability, redistribution of foreign exchange reserves, currency restrictions, deterioration of international currency liquidity, and currency conflicts. However, this does not mean a continuous decline in exchange rates, tighter currency restrictions, etc.

The evolution of the global monetary system is determined by the development and needs of the national and global economy, and changes in the balance of power in the world. In this paper, it will be considered in connection with the objective factors that determined its development.

1. THE GOLD-MONETARY STANDARD The first world monetary system spontaneously emerged in the nineteenth century after the Industrial Revolution on the basis of gold monometallism in the form of the gold-monetary standard. It was legally formalized by an intergovernmental agreement at the Paris Conference in 1867, which recognized gold as the only form of world money. Under conditions when gold directly performed all the functions of money, the monetary and currency systems - national and global - were identical, with the only difference being that coins, entering the world market, shed their "national uniforms" as Karl Marx put it, and were accepted in payments by weight. The Paris Monetary System was based on the following structural principles

1. It was based on the gold standard.

2. Each currency had a gold content (Great Britain - from 1816, the United States - from 1837, Germany - from 1875, France - from 1878, Russia - from 1895 to 1897). According to the gold content of currencies, their gold parities were set. Currencies were freely convertible into gold. Gold was used as a universally recognized world money. 3. 3. A regime of freely variable exchange rates was established, taking into account market supply and demand, but within the limits of gold points. If the market exchange rate of gold coins deviated from the parity based on their gold content, debtors preferred to pay their international obligations in gold rather than foreign currencies.

The gold standard played to some extent the role of a spontaneous regulator of production, foreign economic relations, money circulation, balance of payments, and international settlements. The gold standard was relatively effective until the First World War, when the market mechanism of equalizing the exchange rate and balance of payments was in place. Countries with a deficit balance of payments were forced to pursue deflationary policies and limit the money supply in circulation by exporting gold abroad. However, the United Kingdom, despite its chronic balance of payments deficit (1890-1913), did not experience capital outflows (due to the fact that at that time England was widely distributing liquid short-term obligations and other countries preferred to accumulate them. It is known that in 1913, the amount of liabilities was more than three times higher than England's gold reserves). For almost a hundred years before the First World War, only the US dollar and the Austrian thaler were devalued: the gold content of the pound sterling and the French franc remained unchanged in 1815-1914. Using the pound sterling's leading role in international settlements (80% in 1913), the UK covered the balance of payments deficit with its national currency.

It is noteworthy that even at the height of the triumph of the gold standard, international settlements were carried out mainly with the use of bills of exchange (bills of exchange) issued in the national currency, mainly in English. Gold has long been used only to pay off the passive balance of a country's international payments. Since the end of the nineteenth century, there has also been a downward trend in the share of gold in the money supply (in the United States, France, and the United Kingdom, from 28% in 1872 to 10% in 1913) and in official reserves (from 94% in 1980 to 80% in 1913). Exchangeable credit money was displacing gold. The regulatory mechanism of the gold standard ceased to operate during economic crises (1825, 1836-1839, 1847, 1857, 1855, etc.). Regulation of the exchange rate through deflationary policies, lower prices, and increased unemployment backfired on workers, leading to social tensions.

Gradually, the gold standard (gold coinage) became obsolete because it did not correspond to the scale of the increased economic ties and the conditions of a regulated market economy. The First World War was marked by a crisis in the global monetary system. The gold standard ceased to function as a monetary and currency system.

A distinction is made between cyclical currency crises as a manifestation of an economic crisis and special crises caused by other factors: balance of payments crisis, extraordinary events, etc. Under the gold standard, currency crises usually occurred during periods of wars and cyclical economic crises, but did not reach acute forms. The balance of paym To finance military spending (208 billion pre-war gold dollars), along with taxes, loans, and inflation, gold was used as world money. Currency restrictions were introduced. The exchange rate became forced and therefore unrealistic. With the outbreak of war, the central banks of the belligerent countries stopped exchanging banknotes for gold and increased their issue to cover military spending. By 1920, the pound sterling exchange rate against the US dollar had fallen by 1/3, the French franc and Italian lira by 2/3, and the German mark by 96%. The immediate cause of the currency crisis was the military and postwar devastation.

2. THE GOLD STANDARD.

After the period of currency chaos that resulted from the First World War, the gold-motto standard was established, based on gold and major currencies convertible into gold (as suggested by British experts). Foreign currency legal tender intended for international settlements became known as mottos. The Second World Monetary System was legally formalized by an intergovernmental agreement reached at the Genoa International Economic Conference in 1922.

The Genoese monetary system functioned on the following principles:1. It was based on gold and foreign currencies as its mottos. At that time, the monetary systems of 30 countries were also based on the gold-motto standard. National credit money began to be used as international payment and reserve instruments. However, in the interwar period, the status of reserve currency was not officially assigned to any currency, and the pound sterling and the US dollar contested leadership in this area. ents at that time was equalized through the spontaneous mechanism of the gold standard,and exchange rate fluctuations were limited to gold points. Due to the changes in the cyclical development of the economy in the XX century, a clear line between cyclical and special currency crises is blurred.

The pursuit of gold was accompanied by an increase in private thesaury and a redistribution of official gold reserves. International credit, especially long-term credit, was paralyzed as a result of massive bankruptcies of foreign debtors, including 25 countries (Germany, Austria, Turkey, etc.) that stopped making external payments. A massive amount of "hot" money was created - money capital that spontaneously moves from one country to another in search of speculative excess profits or reliable protection. The suddenness of their inflows and outflows has increased the instability of balance of payments, exchange rate fluctuations, and economic crises. Currency contradictions escalated into a currency war, fought with the help of currency intervention, currency stabilization funds, currency dumping, currency restrictions and currency blocs:
- extreme unevenness of development: the crisis hit some countries and others at different times and with varying severity.

Between 1929 and 1930, the currencies of agrarian and colonial countries depreciated, as demand for raw materials on the world market sharply declined and prices for them fell by 50-70%, i.e. to a greater extent than for goods imported by these countries.In mid-1931, Germany and Austria became the weak link in the global monetary system due to the outflow of foreign capital, a decrease in official gold reserves, and bankruptcies. Germany imposed currency restrictions, suspended payments on foreign debts and the exchange of the mark for gold. In fact, the country abolished the gold standard, and the official exchange rate of the mark was frozen at the level of 1924.
Later (in the fall of 1931), the gold standard was abolished in the UK when the global economic crisis reached its peak. The immediate reason for this was the deterioration of the balance of payments and the reduction of the country's official gold reserves due to a sharp decline in exports of goods and profits from "invisible" operations. On September 21, 1931, the exchange of the pound sterling for gold bullion was suspended, and its exchange rate was reduced by 30.5%. At the same time, the currencies of the countries of the British Commonwealth of Nations (except Canada) and the Scandinavian countries that had close trade ties with Great Britain were devalued. Unlike Germany, the UK did not impose currency restrictions to maintain the prestige of the pound sterling. The UK benefited from the devaluation: due to the devaluation premium, British exporters widely practiced currency dumping, which caused a currency war with France and the United States. As a result, the UK's balance of payments deficit decreased.

In April 1933, the gold standard was abolished in the United States as well, when the economic crisis was turning into a special kind of depression. The immediate reason for the abolition was a significant and uneven drop in prices. This caused massive bankruptcies. The bankruptcy of 10 thousand banks (40% of the total number of banks in the country) undermined the US monetary system and led to the abolition of the exchange of dollar bills for gold coins. In order to wage a currency war to increase the competitiveness of national corporations, the United States pursued a policy of depreciating the dollar by buying gold. By January 1934, the dollar had depreciated against gold by 40% (compared to 1929) and was devalued by 41%, and the official price of gold was raised from $20.67 to $35 per troy ounce.
In the fall of 1936, France, which had maintained the gold standard longer than any other country, was at the epicenter of the currency crisis. The global economic crisis hit France later, and it was actively exchanging pounds sterling and dollars for gold, despite the discontent of the United Kingdom and the United States. Relying on the increased gold reserves (83 billion French francs in 1932 against 29 billion in June 1929). France led the gold bloc to preserve the gold standard. France's predilection for gold is explained by the historical peculiarities of its development. As an international moneylender, French financial capital preferred a hard gold currency. The rentiers, whose number in the country was significant, were especially interested in this.
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2. Gold parities were preserved. The conversion of currencies into gold began to be carried out not only directly (the United States, France, and the United Kingdom), but also indirectly, through foreign currencies (Germany and about 30 other countries).

3. The regime of freely fluctuating exchange rates was restored.

4. Currency regulation was carried out in the form of an active exchange rate policy, international conferences, and meetings.

In 1922-1928, there was relative currency stabilization. But its fragility was as follows:
- Instead of the gold standard, reduced forms of gold monometallism were introduced in the monetary and currency systems;

- the process of currency stabilization took several years, which created conditions for currency wars;

- the methods of currency stabilization proved to be unstable. Most countries devalued their currencies, with Germany, Austria, Poland, and Hungary coming close to zeroing them. The French franc was devalued by 80% in 1928. Only in Great Britain, as a result of the revaluation in 1925, was the pre-war gold content of the pound sterling restored;
- currencies were stabilized with the help of foreign loans. The United States, the United Kingdom, and France used the difficult currency and economic situation of a number of countries to impose onerous conditions on intergovernmental loans. One of the conditions of loans to Germany, Austria, Poland, and other countries was the appointment of foreign experts to control their currency policy.

Under the influence of the law of uneven development, the monetary and financial center moved from Western Europe to the United States as a result of the First World War. This was due to a number of reasons:

- The monetary and economic potential of the United States grew significantly. New York became a global financial center, and capital exports increased. The United States became the main trading partner of most countries

- The United States turned from a debtor to a creditor. The US debt in 1913 reached 7 billion dollars, and claims - 2 billion dollars; by 1926, the US foreign debt had more than halved, and claims on other countries had increased 6 times (to 12 billion);

- official gold reserves were redistributed. In 1914-1921, the net inflow of gold to the United States, mainly from Europe, amounted to 2.3 billion dollars; in 1924, 46% of the gold reserves of capitalist countries were concentrated in the United States (in 1914 - 23%);
The new consensus - the transition to floating exchange rates in March 1973 - corrected exchange rate distortions and relieved tensions in the currency markets.

The six Common Market countries abolished the outer limits of agreed fluctuations of their currencies against the dollar and other currencies. The unhooking of the "European currency snake" from the dollar led to the emergence of a kind of currency area led by the German mark. This indicated the formation of a Western European zone of currency stability as opposed to the unstable dollar, which accelerated the collapse of the Bretton Woods system. The development of regional economic and monetary integration, primarily in Western Europe, is a characteristic feature of the present. The reasons for the development of integration processes are: 1) internationalization of economic life, strengthening of international specialization and cooperation of production, intertwining of capital; 2) confrontation of centers of competition in world markets and currency instability.The process of convergence, intertwining of national economies aimed at forming a single economic complex within the groupings, found expression in the EEC. The European Economic Community is the most developed regional integration grouping of Western European countries; it has been functioning since January 1, 1958, on the basis of the Treaty of Rome, signed in March 1957 by six countries - Germany, France, Italy, Belgium, the Netherlands, and Luxembourg. In 1973, the EEC was joined by the United Kingdom, Ireland, and Denmark; in 1981 by Greece; and in 1986 by Portugal and Spain. The Third and Fourth Lomé Conventions (1984 and 1989) on the association of developing countries with the EEC were signed by 66 states of Africa, the Caribbean and the Pacific (ACP). In addition, a group of Mediterranean countries (Turkey, Algeria, Tunisia, Morocco, Lebanon, Egypt, Jordan, Syria), as well as Cyprus and Malta, are associated with the EEC on the basis of bilateral agreements. The creation of the "Common Market" was preceded by the creation of the European Coal and Steel Community (ECSC) integration grouping by the EEC countries in 1951: The European Atomic Energy Community (Euratom) was created simultaneously with the EEC, Centripetal tendencies led to the creation in 1967 of a grouping called the European Communities, which includes the EEC, ESA, Euratom. They have major common bodies and pursue a common polic

The 1990s were marked by a new expansion of the EU, primarily by the countries of the European Free Trade Association (EFTA). Since 1994, the EU's European Economic Area, EFTA, has been in place; in addition, Austria, Sweden, and Finland have completed negotiations on full EU membership (Norway is to join them). On the basis of the European Treaties, the EU's associate members are now also Eastern and Central European countries - Poland, Hungary, the Czech Republic, Slovakia, Bulgaria and Romania. In November 1993, the Maastricht Treaty on the establishment of the European Political, Economic and Monetary Union (abbreviated as the European Union - EU) came into force.
An integral element of economic integration is currency integration, which is the process of coordinating currency policy, forming a supranational mechanism of currency regulation, and establishing interstate currency and financial organizations. Currency integration is necessary for the following reasons. 1) Currency stabilization is required to strengthen the interdependence of national economies in the course of liberalization of the flow of goods, capital, and labor. 2) The instability of the Jamaican global monetary system required the EU to protect itself from destabilizing external factors by creating a currency stability area. 3) Western Europe seeks to become a world center with a single currency to limit the influence of the dollar, on which the Jamaican monetary system is based, to counter the growing competition from Japan.

The mechanism of monetary integration includes a set of monetary and credit regulation methods that help to bring national economies and monetary systems closer together and to ensure mutual adjustment. The main elements of monetary integration are: a) a regime of jointly floating exchange rates; b) currency intervention, including collective intervention, to maintain market exchange rates within an agreed deviation from the central rate; c) creation of a collective currency as an international payment and reserve instrument; d) joint funds of mutual credit of member countries to support exchange rates; e) international regional monetary and financial organizations for currency and credit regulation.

The currency sphere, unlike material production, is most inclined to integration. Elements of monetary integration in Western Europe were formed long before the creation of the EU. Western European integration was preceded by an agreement on multilateral currency compensation between France, Italy, Belgium, the Netherlands, and Luxembourg, and joined in 1947 by the western occupation zones of Germany: the 1948 and 1949 agreements on intra-European payments and compensation between 17 OECD countries: European Payments Union (EPU) - multilateral clearing in 1950-1958; introduction of currency convertibility in 1958 1961.