EJ
Expert Journal of Economics (2013) 1, 19-27

Economics.ExpertJournals.com

The International Monetary System in the Context of the Actual Financial Crisis. Change Proposals

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The International Monetary System (I.M.S.) has a crucial role in economy, representing the frame for a sustainable development of the economic relationships between states, while contributing at the progress of the world's economies. Nowadays, this system confronts large difficulties, as a consequence of the lack of financial disciplinary instruments, meant at regulation and coordination. The actual economic-financial crisis proved the limits of the present I.M.S., reason why it is now under "reconstruction". In this direction, there is a series of reforms that can be implemented, so that the new architecture of the system is much more solid.

Keywords*: International Monetary System, Bretton Woods, Reforms, Architecture, Special Drawing Rights (S.D.R.), International Monetary Fund (I.M.F.)*

JEL Classification: E42

1. Introduction

The International Monetary System (I.M.S.) can be defined as the assembly of principles, rules and regulations set at international level, based on the agreements between states. It is meant at developing the payment transactions and the clearance of liabilities existing between countries, determined by international trade, by capital movements and by economic growth. (Petria, 2003)

Another approach towards the I.M.S. is a dualistic one. Consequently, it can be seen either as a "set of conventions, rules and tools, or as an economic, institutional and political environment, which determines the delivery of two fundamental global public goods: an international currency and external stability." (Dorrucci & McKay, 2011)

The first perspective includes rules and regulations in regards to the supply of international liquidity, to the adjustments of external imbalances, to exchange rates and capital flow regimes, to arrangements developed for global and regional surveillance, as well as to preventing crises. Also, the tools needed to sustain that effort are included.

The second perspective refers to free trade, to the authority powerful countries have in the system, to the interdependency of states with different degrees of economic development, as well as to cooperation in the economic and political environment.

Global public goods firstly refer to an international currency that allows public and private sectors from different countries engage in economic activities, by using it as a means of payment or as a means of preserving value. Secondly, they refer to external stability - a cross countries sustainable financial link,

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Article History:
Received 10 November 2013 | Accepted 14 December 2013 | Available Online 29 December 2013

Cite Reference:
Trîmbițaș, A., 2013. The International Monetary System in the Context of the Actual Financial Crisis. Change Proposals. *Expert Journal of Economics*, 1(1), pp.19-27

which does not lead to imbalances, as abnormal fluctuations of exchange rates, unreasonable price growth, unemployment or decreases in Gross Domestic Product. (G.D.P.).

Regardless of the definitions that can be attributed to the I.M.S., keywords as principles, rules, regulations, cooperation and development are prerequisites for understanding its role and importance.

The present paper aims at analyzing the actual role of the I.M.S. and at offering solutions for a new system's architecture. In the context of the actual financial crisis, the system proved its limits, reason why new directions are being considered.

As research methodology, I first executed an exploratory research "undertaken to gain background information about the nature of the research problem. " (Burns & Bush, 2008) and the method used was the secondary data analysis, the process of "searching for and interpreting existing information relevant to the research objectives, data that have been collected for some other purpose" (Burns & Bush, 2008). After the literature review, I used the historical comparison and the observation, in order to draw conclusions and come up with ideas for change.

The paper is structured in three large parts. The first one looks at the I.M.S. from a historical perspective, in order to understand the context of its beginnings and its evolution over time. Then, alongside the actual I.M.S., the manner it confronted crisis's difficulties is also analyzed. The last section includes proposals for the system's improvement.

The limits of the paper consist in the difficulty of assessing the degree to which the changes proposed can, in their totally, be implemented into practice. They are rather directions to follow, as they cannot be tested before hand to understand their impact. The proposed measures have been analyzed in terms of advantages, disadvantages, reliability and applicability.

2. The beginnings of the International Monetary System

The end of the Second World War created the premises for the development of the I.M.S. Why that? In a context dominated by disorder in all fields, including the monetary one, states saw cooperation as a means for rebuilding their economies, for assuring international monetary stability, monetary cooperation and regulation of international relationships. The common goal was a balanced development of international trade, as a sine qua non condition for the economic progress of the world's economies.

Therefore, between 1 and 22 July 1944, at Bretton Woods, New Hampshire U.S.A., 45 states, among which U.S.A., United Kingdom, France, Soviet Union, China and Australia put the premises of the first International Monetary System.

Negotiations were based on two projects, as it can be seen from the below figure:

American Project — **elaborated by Harry Dexter White**

- free international trade;
- free capital movements;
- liabilities' clearance with national currencies;
- the development of a mutual fund (International Stabilization Fund), with resources from the member states' subscriptions, in order to assure the surveillance and the fluidity of the clearances between countries;
- the standard currency at the basis of I.M.S. was the equivalent in gold of $10 ;
- U.S.A. was seen as the largest economic and political power.

British Project — **elaborated by John Maynard Keynes**

- rebuilding of economies;
- promoting economies' development;
- full employment;
- the development of an I.M.S. through the emission of an international currency, bancor, as an account currency;
- the development of an international central bank (International Clearing Union) in charge of currency emission, with resources from the gold subscribed by member states; the bank had to assure the clearance of payments and liabilities, through a system in 2 levels: at first level - The International Clearing Union and at the second level - members states' central banks;
- stability of the balance of payments, through solidarity between creditors and debtors;
- a gold - foreign exchange currency based system was seen as a limited one (gold was convertible in bancor, but the other way round was not possible.

***Figure 1**. Projects debated at Bretton Woods Conference for the establishment of the I.M.S.*

The negotiations' result was a compromise between the two projects, with a higher contribution from the American one. A gold - foreign exchange currency (American dollar) standard was set. Another result of the Bretton Woods Conference was the development of two international institutions with role in the surveillance and control of the international economy: The International Monetary Fund (I.M.F.) and the International Bank for Reconstruction and Development (I.B.R.D.).

For assuring the I.M.S.'s functionality, a set of principles was established (Petria, 2003).

Universality – any state obeying to the regulations from the I.M.F.' statute could adhere to this organism and implicitly, to the I.M.F.'s principles;

The stability of the exchange rate - it supposed the fixity of the par of exchange and of exchange rates. For this, the national currency of a state member needed to have a parity value established in gold / dollar. Compared to the official parity, the exchange rate of national currencies could range in the interval ±1%, member states being obliged to interfere on the market to maintain the exchange rate in those margins;

- Par value represents the amount in gold which supports the national currency. Par of exchange is the ratio between the par values of two currencies, depending on their gold content. The real ratio which defines the connection to the market is the exchange rate. It is the effective ratio for exchanging one currency for another, at a given point in time. The exchange rate is different from the par value, taking into consideration the supply and demand for the foreign currency.

The reciprocal convertibility of currencies – it supposed that the dollar, as the system's standard, was the only one convertible into gold, and as a transmission currency, it assured the convertibility of other currencies into gold;

The development of a reserve volume according to the balance needs of the balance of payments – it referred to the fact that monetary authorities of the I.M.F.' member states were obliged to maintain such reserves, initially form gold and foreign exchange currencies, and afterwards, from Special Drawing Rights (S.D.R.);

The stability of the balance of payments – member states were obliged to maintain this balance. For this, in accordance with the I.M.F., the devaluation / revalorization of national currencies were used. The only exception was the U.S.A., which could print its own currency to cover the deficit of its balance of payments. This could happen because of the privilege role the dollar had in the system, the so-called "exorbitant privilege".

Figure 2. *I.M.S. Principles*

In 70s, the I.M.S. confronted a series of crises generated either by the principles which laid at the basis of the system, or by the fact that the system did not answer anymore to the structural changes of the international economy.

As years passed, the principles presented above were abandoned one by one, and this led to the abandon of the system conceived to function on them. The I.M.S. was functional as long as the initial conditions which led to its development were maintained. These included U.S.A.'s ability of assuring dollar's convertibility into gold and of maintaining dollar's stability.

Because the system was pegged to the dollar and each state wanted to consolidate its international reserves, national central banks accumulated large amounts of dollars, which afterwards, were converted into gold. This led to a dramatic drop in the gold reserves of the U.S.A.

Consequently, beginning with 1971, member states of the I.M.S. renounced at the exchange rate fixity. They renounced at dollar's convertibility into gold, national currencies becoming convertibles one another. The dollar remained the reference currency of the system, but the fluctuation margin growth to ± 2.25%. Since 1973, the exchange rates became floating. Moreover, beginning with 1978, along with the I.M.F.' changes established at Kingston – Jamaica Conference in 1976, the gold lost its monetary functions.

Also, the Special Drawing Right (S.D.R.) was introduced as the new standard of the system. Any country could choose its own monetary / exchange rate regime and the possibility of adopting a total / partial convertibility in relation to other currencies.

3. The International Monetary System in the context of the actual financial crisis

After Bretton Woods system collapsed, world's currencies faced large fluctuations of the exchange rates. For a higher economic stability, states associate in unions. This was the context in which the European Monetary System, the actual euro area, appeared. Other associations, more or less successful, included the Economic and Monetary West African Union.

The actual I.M.S. was born in the years that followed Bretton Woods's system, being influenced by the Asian crises (1997-1998), by the crashes from South America (Mexico 1994, Argentina 2000-2001), as well as by the euro currency development (1999).

In the latest years, globalization had a large influence on the I.M.S. evolution and functionality. Money free movement from one country to another often led to speculations on national currencies, and implicitly, on the monetary and national financial systems.

The ultimate goal of the I.M.S. is to maintain a disciplined payments' system between countries. For this to happen, an international currency, the assurance of the adequate supply of liquidity, the definition of an exchange rate regime between national currencies, as well as an adjusting mechanism for preventing imbalances at national level, are needed (Constancio, 2011).

With the help of such a mechanism, external stability is possible. Once obtained this stability, inter states linkages stop leading to imbalances, as the highest risk of globalization is reduced - the possibility of a crisis in the system.

Exchange rates and the capital movement regimes are key elements of an adjusting mechanism, as they set the system's degree of flexibility, and its adaptability to the economic changes that occur. In comparison to Bretton Woods, a system with a fixed exchange rate, the actual I.M.S. benefits from a higher degree of flexibility. This can be seen as an advantage of the actual system, as every country can choose the exchange rate and capital account regimes considered appropriate to its needs. Consequently, nowadays, there are countries with a fixed exchange rate regime, with a fixed but adjustable regime, or with a floating regime, in its two versions: controlled and uncontrolled floating.

However, this autonomy of the system also has disadvantages. It determined large amounts of deficits, and led in the end, at crisis. The lack of a strict surveillance from international organisms and of a series of mechanisms and financial discipline instruments represents the main reason of the systems' crisis.

The actual I.M.S. is somehow similar to the Bretton Woods one. Nowadays, as in the past, the American dollar was the main power in the system, with the privilege of currency issuance. The dollar has today over 60% from the world's reserves.

But, besides the dollar, the euro has started to be more and more important in the international context, being the second most preferred currency for holding reserves. Moreover, the yen and the yuan have also started to gain power.

In what concerns the crisis of the actual I.M.S., in comparison to Bretton Woods, it cannot be exclusively assumed by the U.S.A. Today, the problem was not anymore the U.S.A. incapacity of fulfilling the dollar demand, taking into account its reserve currency role.

The main issue was the lack of some political and financial discipline instruments to maintain the external stability. The differences in the actual international financial world, more and more dynamic and sophisticated and the lack of an institutional context to regulate transactions between countries led to the actual crisis of the system.

Along the years, the drawbacks of the I.M.S. were revealed, the crisis emphasizing the globalization's negative effects and the limits of the system. To reduce risks, international organizations, as are the I.M.F., the World's Bank and G20 need to rethink the I.M.S.'s architecture. A more stable system is needed, a system to reduce states' vulnerability towards financial crisis.

4. Proposals for change

Nowadays, the I.M.S. is looking for a new identity, which has to take into account the changes that took place at international level.

Considering "the Impossible Trinity" concept when a monetary system is based, a decision has to be taken in regards to the key directions for the system's development, as it is impossible to have a fixed exchange rate, a free capital movement and an independent monetary policy.

The I.M.S. from Bretton Woods had a fixed exchange rate, an independent monetary policy, but the capital movement was not free. When the Eurozone was developed, the monetary policy was abandoned, the

European Central Bank (E.C.B.) being responsible for elaborating the monetary policy of the countries in the Eurozone. Along with a unique currency, the Eurozone also chose the free capital movement.

Which is the proper architecture of the actual I.M.S., taken into consideration that both Bretton Woods and the Eurozone confronted problems which have proven the system's limits?

Given the actual context of globalization and the free capital movement, I consider that limiting this aspect would be quite difficult. The main consequence would be seen in the countries' degree of development, which is already fragile, as a result of the economic-financial crisis. The goal of an I.M.S. has to be the global development, or limiting capital movements would represent a barrier in this strive.

Moreover, creating a unique monetary policy for all states is hard to imagine. National central banks hold a series of instrument, both direct and indirect, they can use to intervene on the market. Decisions are different, being influenced by the macroeconomic and political context. Therefore, it is hard to believe that world's banks interest, and in the end states' interest, would converge at a given point in time, so that decisions be globally applicable. A unique monetary policy includes a unique currency, which at global level, seems utopic.

The Eurozone example, with a single central bank could represent a good practice. However, there are only 17 states, and in crisis moments, it could be seen that E.C.B., although actively involved in the market, did not manage to solve all difficulties.

Therefore, the only thing that can be renounced at, remains the fixed exchange rate. However, a controlled floating would be desirable, because it allows central banks to intervene, if the case, to adjust the national currency supply / demand.

But, which should be the new I.M.S. main currency? Will it remain the dollar? A multipolar system will be created? Is the basket currency a reliable solution, or rather a unique currency would be more appropriate? But which one? And who shall issue it? Who shall regulate it? Here is a series of questions that rise when discussing the rethinking of the actual I.M.S. In what follows, I tried to present the advantages and disadvantages each of these change proposals would have on the system.

4.1. Towards a multipolar International Monetary System

A multipolar I.M.S. refers to the existence of more international currencies, and so, the reduction of the role the American dollar has nowadays in world's economies. Therefore, the "exorbitant privilege" would be redistributed to various countries.

Some trials already exist in the direction of minimizing dollar's importance. China has renounced at using the dollar in the commercial transactions it has with B.R.I.C.S. countries – Brazil, Russia, India and South Africa. It only uses local currencies.

A possible version of multipolarity is a tripartite system, with the dollar, the euro and the yuan as main currencies. For this to happen, however, the yuan should become an international currency, because for the time being, China's currency is not convertible. Also, the capital movement is still restricted and China Central Bank is not totally independent and transparent in the decisions it makes. In the future, these issues can be solved, as the yuan has a target to become an international currency around 2015 (Zavaleanu, 2012).

What does a tripartite system involve? First of all, a higher pressure on the exchange rate, as the euro and yuan demand will increase, against the dollar. If it were to restrain the consequences of this proposal at world's central banks and at the international reserves they hold, ceteris paribus, such a system would determine changes in the ratios the three currencies have out of the international reserves. Consequently, the euro and the yuan will have their demand increased, which on the short time will translate into higher exchange rates for these currencies. So, they will appreciate against the dollar, and this would further lead to a competitive reduction of Eurozone's and China's economies, compared to the U.S.A., which is not desirable.

On the other hand, the value reduction of the dollar would lead to important losses for the countries which hold their reserves in the American currency. Those countries could even intervene on the market, in order to stop / reduce its devaluation. In this idea, it is remarkable what John Connally, the secretary of the American Treasury in 1971, sustained "the dollar may be our currency, but it's your problem" (Tamny, 2009)

The dollar's value reduction can also be seen from a different perspective. Even if countries may lose by holding their international reserves in dollars, they may be in advantage if they have a large external debt denominated in dollars. Its value also goes down.

The version of a tripartite system may represent a reasonable solution for the I.M.S. on the long term. But, as on the long run "we are all dead", as Keynes sustained, and we are seeking solutions to apply for the time being, such a configuration is not possible in the present.

4.2. The gold's role in a new International Monetary System

Even if years have passed and crisis occurred, the gold has maintained its stability. As a reserves means, for preserving value in time, it is a reliable solution taken into consideration the actual uncertainty. However, an I.M.S. with the gold as reference point would not be reliable today. I consider that it would highly restrict international trade and transactions across countries, limiting their development potential. It was this restriction, determined by the limited gold reserves, which led to the collapse of the systems based on gold and on gold – foreign currencies. Thus, this alternative is not proper for the actual context.

4.3. The virtual currency – a reliable alternative?

Recently, a new currency has emerged. Bitcoin is a digital currency, created in 2009 by Satoshi Nakamoto. It is "the first decentralized peer-to-peer payment network that is powered by its users with no central authority" (bitcoin.org).

Nowadays, cash is less and less used in transactions, as digital payments are more flexible, timely and reliable. Although digital money is not new, the innovation Bitcoin brings lays in the fact that it is an independent currency, not controlled by any central bank.

How can Bitcoin be obtained? Some alternatives are to purchase them at a Bitcoin exchange, to earn them by mining, or to receive them as payment for goods or services. Mining refers to process transactions on the network with the help of specialized software "the Bitcoin protocol is designed in such a way that new bitcoins are created at a fixed rate; this makes Bitcoin mining a very competitive business" (bitcoin.org).

However, Bitcoin lacks confidence, as no authority backs it up, and this influences people's perception. Also, it is highly variable. In January, its value was around $18, it reached a maximum point of $220 in April and it is now at $120 (bitcoinchart.com). This type of digital currency represents a threat for the state, as it cannot tax those who have their money converted in bitcoins and it cannot verify transactions generated.

The lack of an institutional framework only brings a bubble which can lead to other crises. The lack of financial discipline rules and regulations was the main cause of the actual crisis. But, if there were a regulated framework, this currency could represent a solution for a future I.M.S.

A supranational authority would be needed to supervise its issue and evolution. In this way, the currency could be firstly used in international transactions. Its main advantages are that it reduces the currency devaluation risk and it has no transaction costs. But how much confidence to have in Bitcoin?

4.4. A supranational currency?

Another change proposal for the present I.M.S. refers to developing a new currency, with supranational authority. This would lead to lower transaction fees, to eliminate the risk of currency devaluation, to resolve the inefficiency of uncoordinated national monetary policies and to reduce market volatility. However, this goal is hard to attain. The disadvantages of a unique currency include: high conversion costs, power centralization and the difficulty of establishing organisms to control the monetary and fiscal issues.

A first decision concerns the type of currency to be implemented: a basket currency or a unique currency?

The basket currency refers to conventional money, being formed from several currencies which hold different percentages in the basket. The percentages depend on various factors, one of them being the export volume of goods and services.

A relevant example of a basket currency is the S.D.R. This is the I.M.F.'s account currency, being formed of the American dollar, Euro, British pound and the Japanese yen. Recent discussions concern the introduction of the Chinese yuan.

The S.D.R. fulfills the following functions: international monetary standard, means of reserves, means of payment and credit instrument (Dardac & Vascu, n.d.). However, the S.D.R. did not manage to become a daily use currency, to be utilized in commercial transactions, as a direct means of payment. Its role is mainly restricted to the relation with the I.M.F.

This "failure" of the S.D.R. may lead to the idea that a basket currency is not a reliable solution for the I.M.S. Despite this, using a basket currency means a greater stability of such a currency towards the currencies which form the basket. By divergently floating between them, one's depreciation is balanced by the other one's appreciation.

A better promotion of the S.D.R. and its introduction as a currency in circulation, in the daily use, can be a proposal reliable to think at. The process, of course, has to be a gradual one. Firstly, the international transactions can be converted in S.D.R., regardless of the settlement currency. Then, a second stage is the parallel use of S.D.R. and national currencies in circulation. This translates in converting the S.D.R. from an account currency to a payment currency, used effectively in daily transactions.

For this to happen, large S.D.R liquidities are needed. Also, the I.M.F. has to bear the role of a central bank, in order to issue and control the currency, and to regulate the monetary policy. In this direction, its attributions need to be rethought and new adequate instruments have to be developed.

Still for consideration can be the change of the S.D.R. structure, not only by introducing the yuan, as already wanted. A possible restructuring may take into consideration the introduction of G20 countries' currencies. This would give S.D.R. more confidence.

Another alternative for the I.M.S. with a supranational currency regards the development of a new currency. This would attract the development of a supranational bank, with issuance and regulation functions. But where to develop such a bank? From where to obtain the resources for its implementation?

This new currency would independently float against national currencies, being used in parallel with them. It would be used mainly in the international trade, in the capital movement related transactions and as a reserve currency used by national central banks. National currencies would be used locally, for the transactions developed within the country. Such a vision is similar with the bancor, the currency proposed by John Maynard Keynes during the negotiations taken place at Bretton Woods.

For this alternative to be reliable, the authority that has to regulate that currency needs to maintain stable its exchange rate, and at a high level, because fluctuations and depreciations against national currencies lead to the lack of confidence in the currency. Analyzed in terms of reliability, I do not consider this alternative to be the proper one for the present context. Having already a system's currency – the S.D.R.- and the I.M.F. as authority, the right thing to be done is to make efforts to consolidate them both.

The last alternative of the supranational currency is the development of a unique currency, which will gradually eliminate national currencies. The reliability of this unique method depends on countries' desire of renouncing at their national monetary control for a supranational authority. It is one of the alternatives I consider to be utopic, as states' interests are so different, that the power balance represents an obstacle. Moreover, the implementation of a unique currency is difficult because of the differences in countries' competitiveness. It will make countries with a low productivity even more unproductive and the countries with a high productivity, more powerful. This will increase inequity at global level, which will eventually end in generalized crises.

Taken into consideration the arguments presented above, I am of the opinion that the proper change proposal is that an enlarged S.D.R. enters the daily circulation.

4.5. Reforming the International Monetary Fund

Once made the choice for the system's currency, what follows next it to decide the authority that will fulfill the central bank function.

The actual I.M.S. has its institutions, the I.M.F. and the group of the World's Bank. I do not consider the development of other institutions necessary. It would be better to reform the actual ones, especially the I.M.F., which has a key role in the system.

If accepted the idea of a S.D.R. formed of G20 countries' currencies, the new enlarged S.D.R. needs support and this has to come from an institution. The decisions within the I.M.F. are made by the countries with the highest subscription rates. However, since 2010, a reforming process has started and it is about to be finalized. In the present, the I.M.F.'s Board is formed of 24 directors. 8 of them represent a singular country (U.S.A., Japan, Germany, France, Great Britain, Russia, China and the United Arab Emirates), the other ones representing more countries. The total number of members in the I.M.F. is 188.

What is wanted is to increase the percentages developing countries, especially the B.R.I.C.S. countries, have within the Fund. Less developed states should maintain their percentages, while extremely developed countries should have their percentages diminished. U.S.A.' position as a main contributor to the Fund, allowed it to block de facto this reform. However, in the end it will have to accept it (Enache, 2013).

The objective of this reform is to obtain a more democratic management, which will enlarge the access to the power. It is a first step which supposes openness from the I.M.F. to the present economic conditions. I consider the next step to be an enlargement of the role G20 countries have within the I.M.F., which corroborated with an enlarged S.D.R. can represent the pillars of a new system.

Why not take into consideration even the possibility that in the future, less developed countries will have their positions increased within the Fund? In the end, they need the most support. It is known that money comes from the Fund proportionally with the percentages countries hold (the S.D.R. and the American dollars each country has contributed to the I.M.F.)

Also, I consider that a rethinking of the principles, rules and regulations which currently govern the I.M.F. is needed. New financial discipline instruments have to be set. Among them:

- Limits the I.M.F. can impose to national central banks in terms of accumulating international reserves. Although a limited level is not desirable, too high levels can lead to imbalances. At the end of 2012, China's international reserves were higher than 3.3 billion dollars (data.worldbank.org);
- The equilibrium of the balance of payments and national central banks' preoccupation for this balance under the I.M.F. surveillance;
- Mechanism to prevent crisis, as are a stricter market regulation; not for intervening on the market without reason, as this leads to imbalances, but for having a higher control. This allows better problem identification and a faster action taken. For instance, when the market signals unsustainable growths, and this is an indication that the bubbles can explode any time, measures should be taken to limit transactions on that type of market;
- Maintaining a certain level for Key Performance Indicators (KPIs), as are public debt and budgetary deficit. For the beginning, the thresholds used in the Eurozone can be applied. They set a maximum debt level of 60% of the Gross Domestic Product (GDP) and a maximum level of 3% of GDP for the budgetary deficit, while the structural deficit has to have a level of 0.5%
- The I.M.F. has to assume the role of central bank and this includes a series of responsibilities. As monetary policy instruments, it can learn and implement from the good practices of the world's largest central banks: the European Central Bank and the Federal Reserve System, in order to control S.D.R. liquidity on markets and avoid inflation.

***Figure 3**. Financial discipline instruments to lay at the basis of a new I.M.S.*

All these would lead to a global authority with enlarged attributions, meant at keeping markets safe. The goal of such a system has to be a stable international framework and worlds' states cooperation and economic growth. Or, to attain such a goal is impossible without the existence of an international currency and the external stability, the two global public goods.

5. Conclusions and Recommendations

The International Monetary System, largely affected by the actual economic-financial crisis cannot offer an answer to global markets. The system's lack of consolidation, of a disciplinary control and of adequate instruments meant at keeping the pace with today's changes, put the system in difficulty.

It was enough a crisis to shrink the confidence in its capability of making the system functional. As Taleb sustained "it was enough a black swan to cancel the belief that all swans are white. A single observation can cancel a general assertion" (Taleb, 2010).

The I.M.S.'s rethinking is therefore needed. Reliable reforms need to put the basis of a solid architecture of the system. Assuring an international stable environment to allow economic cooperation among states is a prerequisite for global economies' sustainability. Solutions to overcome the actual crisis, methods to prevent future crashes and real instruments to fight against crisis, if they occur, are needed.

The actual I.M.S. does not have the ability of managing crisis. The present international institutions, as are the I.M.F. and the World's Bank, do not have the required policies and tools. Rethinking their role becomes vital in a new system.

The change proposals presented in the present paper are a few directions, not being restrictive. Constructing on what once again Taleb sustained "we worry too much on a pre-definite segment of what we already know and we generalize to what we do not know", we risk losing perspective on some other factors, because "what we see is not necessarily everything that exists". The reforms developed herein may be too theoretical and hard to implement in practice, with different levels of reliability, as there are numerous factors that can intervene and influence the system.

However, they represent milestones in the effort of building a more stable I.M.S. What are the consequences of reforming the actual system? The most important of them is the assurance of a better international stability, which would promote a sustainable economic growth and states' cooperation, while facilitating international trade, transactions and capital movements.

I personally consider that for the time being, the most reliable solution for a new I.M.S. is the one where the systems' pillars are: an enlarged S.D.R., a global central bank in the authority of the International Monetary Fund and new principles and rules to lay at the basis of a better performing international system.

What does an enlarged S.D.R. stay for? Mainly, for a higher stability, as more currencies would contribute to the basket currency and this translates in maintain currency's balance. As one of the components appreciates, the other one depreciates, and on global, the effect is null.

Efforts need to be taken for introducing the S.D.R. as a currency in circulation. The process should be a gradual one. Firstly, it can be used in the international trade to clear transactions regardless of the settlement currency. Afterwards, it can be used in parallel with the national currencies, which means a change in the present S.D.R.' status, from an account currency to a means of payment, used regularly in the market.

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