

# THE REFORM OF THE FINANCIAL MONETARY SYSTEM IN THE CONTEXT OF CREATION OF A NEW GLOBAL ORDER

Cosmin Durac Ph. D Student  
University of Craiova  
Faculty of Economics and Business Administration  
Craiova, Romania

**Abstract:** The reform of the financial-monetary system in the context of creation of a new global order presents the current trend of the establishment of a new world government, with a global central bank and a single currency. This will succeed to a decline of democracy and a growth of the totalitarianism. The international financial institutes must have much power to help the emerging economies, in the time of redemption of debts. Banks and investment banks of which`s health is problematic for the global financial system, must operate under an united framework of regulation. Meanwhile, a world government would involve much more than cooperation between nations, would be an entity with similar characteristics of a state, sustained by a legislative body.

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**Key words:** reform of financial-monetary system, new global order, world government, global central bank, single currency.

## 1. INTRODUCTION

In the year 2009, Itar-Tass had presented the position of Russia at the G20 summit from London, in april,through which should begin the setting off a management system of globalizing process and that would be examed the possibility to create a reserve currency supranational or a super-reserve currency. Russia said that it seems timely to be reconsidered the meaning of IMF in this process and , also to be determined the possibility of taking some measures which can allow that SDR(Special Drawing Rights) becomes a super-reserve currency,recognized by world`s community.

Meanwhile, Financial Times publication reported that the central bank of China proposed the replacement of USA dollar like international reserve currency with a new global system controlled by IMF. The purpose would be that the world reserve currency to be independent of individual nations and to remain stable for a long time,eliminating like this the inherent deficiencies caused by using national currencies. Cheef-economist of China declared,for the HSBC, that this is a clue which shows that, at this time, China, being the greatest owner of financial actives in USA dollars is preoccupied of the potential inflation risk of emitting currencies without covering by the US Federal Reserve. According to the article , the governor of Popular Bank of China suggested the extension of SDR role ,which were introduced by IMF ,in 1969,to help the fixed exchange regime, established by Bretton Woods ,but has become less relevant with his decade in 1970. The report showed that the value of SDR is based on a group of four

currencies , american dollar, yen ,euro and pound ,those being used,mostly,like a reference factor by IMF and other international organizations.

It must be known the fact that the proposal of China would extend this group of currencies to all major economies and would create a settlement system ,between SDR and other currencies,so that can be used in the internaional trade and financial transactions. The states will let to the IMF a part of their reserves of SDR to settle them in a collective way, in their name, and then SDR will replace,slowly, the existing reserve currencies. The Secretary of Treasury and ex-president of Federal Reserve Bank from New York had a speech at the Council on Foreign Relations. When he was asked about his opinion about the chinese proposal for a world reserve currency, Geithner said that he didn't read the governor's proposal ,but as he understood the proposal is made to increase the SDR of IMF using. The Group of Economists of United States suggested a new world reserve currency, which could replace the american system based on dollar ,used for centuries, by the international banks and like a reserve currency given independently could operate without conflicts generated by the american dollar and to keep the prices of consumer goods much stable. In the article of Economic Times publication was said that people are not prepared for an international reserve currency yet,but are ready to begin the process of transition to such a currency.People ,surely,need an international currency. Beside that ,if dollar is not accepted ,without an alternative ,the international payment system can be in a state of frost ,being out of monetary authorities control,metting the world's economy into a "Great Depression".

After the reunion G20 from London it was reported that Group of 20 leaders was agreed that it's agency can take 250 miliards of dollars through emission ,by Special Drawing Rights( SDR ) of the artificial currency ,which IMF is using it through united nations. They also agreed to depositate 500 miliards of dollars in the warrior heart of IMF. In other words ,the great global financial institutions try to save the dollar ,not to precipitate a crisis ,so that can continue quietly with plans of introducing a new global currency.

## 2. THE CONTEXT OF CREATION OF A NEW CENTRAL WORLD`S BANK

In 1998, Jeffrey Garten wrote an article for The New York Times publication ,from 23 september,advocating for a global Fed. In his article he declared that all this time United States had created crucial central institutes - Securities and Exchange Commission(1933), Federal Deposit Insurance Corporation (1934) and the most important Federal Reserve (1913). These organizations were created to make the functional capitalism , to prevent the destructive cicles of business domain and to moderate the Adam Smith's invisible hand. He explained that this is what must be happening now at a global scale.

People need an institution which can hold a hand on economic helm when the seas become stormy.They need a global central bank. If we just try to coordonate the most important central banks from the world ,Fed and the new European Central Bank,for example ,we won't succeed. It is unlikely how is materialised an efficient colaboration between Ministries of Finance and Treasuries. These agencies are responsible for the voted legislature and politicians from industrial states are more preoccupied of intern events than the international stability. The only way to escape is given by setting up an independent central bank ,which should have the responsibility to keep the global financial stability. Nobody else can also do what is necessary ,to inject much more money in the system to boost the economic increase ,to reduce the

great debts of the emergent markets and to supervise the operation of weakening financial institutions.

A global central bank can offer many funds to the world's economy, right then when this can loose. This bank can play a supervisor role for banks and other financial institutions from everywhere, offering some uniformed standards for prudent loans, in places such as China and Mexico. Even like this, the rules don't have to be too heavy.

There are two ways through which a global central bank could be financed: can have credit lines from all central banks, basing on them in difficult times and repaying after, when the market goes well or can be financed with a modest rate, put on all the commercial exchanges, collected from the point of export or through a tax put on some global financial transactions. A thing that cannot be accepted could be that bank can be at the mercy of laws aimed on a short term. Essentially, that will not respond to all the people from the world. A possibility can be to bind the new bank of an extended group of seven- maybe a G-15 (or, in today's context G20) which shall include the states G-7, plus members in rotation such as Mexico, Brazil, South Africa, Poland, India, China and South Korea. It has been said that it shouldn't exist a "very strong collaboration" between a global bank and Fed. The Global Bank would not function in the United States and could not get through the decisions of our central bank. But can provide the ingredient which is missing at international level- the urgent financing for the great need of cash from the emergent markets. It would not affect the american rates of mortgage, but could help the increasing profitability of american multinational companies through creation of a healthy environment of business at global level.

Even if the heavy financial rescue operation from USA succeed, it has to be followed of something even much more ample, of the Global Monetary Authority establishment, to supervise markets which became without borders. The necessity of appearance of a new Global Monetary Authority would speak for the capital markets in such a way that will not oppose to a public supervising function with norms of intervention and will come back to accumulate capital, which is actually the object of increasing economy and development, much more that to making trade for the sake of trade. More than this, GMA would be a reinsurer or an expense account for certain duties of central banks. Then can be examed the regulation activities of national authorities with much more severity than IMF has made and will be supervised the settlement of a limited number of global regulations. GMA will look after the global risks and determine an efficient system of early warning, that will ring the alarm in a much more firm method that BIS has made.

The biggest global financial companies must register themselves at GMA and be under it's supervise or to be put on the black list. This includes commercial societies and banks, but also sovereign funds, gigantic speculative funds and private equity firms. The GMA leadership shall include central bankers, not only from USA, Great Britain, euro area and Japan, but also from China, Saudi Arabia and Brazil. These will be financed by important contributions came from the capable country and from insurance premiums, from global financial companies- publicly listed and being private or in government's property.

A global central bank cannot eliminate the necessity of Federal Reserve existance or of another national central banks, which would have further the biggest responsibility for the reasonable regulative politics and for the monetary stability from their countries. But would have a great influence over them when should be followed politics which are compatible with economic increase and global financial stability. For example, would colaborate with the important countries to coordonate better national

programs of stimulation ,when the world starts a recession ,like is happening now, so that the accumulated impact of different national efforts cannot induce a global inflation. This means a big threat, because everywhere the government spending becomes excessive. William Overholt, the important researcher from Harvard Kennedy School and previous at RAND Institute sustains the fact that to avoid a new crisis, we must manage liquidity at global level. Theoretically, this thing can be realized by establishing a type of global central bank ,by creating a global currency or to accept a pack of rules with sanctions and a mechanism of solving litigation.

### 3. THE PERSPECTIVES OF ACHIEVING A NEW GLOBAL ORDER

Banks and investment banks ,which's health is crucial for the global financial system should operate under an united framework of regulation .Also ,it is considered that US Federal Reserve should play a central role in this new cadre of regulation ,working hard supervising authorities from USA and all over the world.It is increasingly obvious that people need a new banking system and this one should not be the same as that one managed to fail in such a spectacular way. Of sure that the ones who change this new banking system are the old system's champions. The solutions that will be shown are just extensions of actual system ,accelerated only due to the necessities generated by the actual crisis.

An inconvenience characteristic of the new world's order can be the fact that the errors from the world's income will be amplified ,because the new powers like China , India and Brazil look after the ones under their level ,like possible rivals. If leaders are serious meaning the creation of new global responsibilities or of governance , then they must start with the modernization of multilateralism empowering OMC,IMF and Global Bank so that can monitorize national politics.

David Rothkopf ,a researcher from Carnegie Endowment for International Peace, member of the Council on Foreign Relations ,exdeputy subsecretary for the International Trade in Clinton administration ,deputy and ex general director of Kissinger Associates,Inc. has written recently a book named : "Superclass: The Global Power Elite and the World They are Making". When he spoke about the role and agenda of "global superclass", he wrote that in a world characterized by global threats and movements which does not present its passports at national frontiers ,it is not possible anymore, that a state- nation ,which act individually , to meet his part of the social contract. Even the international organizations and alliances that we have today ,like they are,imperfect, would seem to be impossible till now, especially the success of UE -an unitary state ,democratic ,such as India's dimension .The evolution and achievements of such entities ,inspite of all the obstacles ,show that it is not about some isolated cases ,but about a general trend ,that goes on the way ,which Tennyson named " Man's Parliament" or universal law.

This progress will continue ,but will be difficult because undermines many structures of the national and local power and cultural concepts that have deeply embedded foundations in the cornerstone of human civilization, like sovereignty. The mechanisms of a global governance are much more possible to be established in today's environment, those mechanisms being often creative, coming with temporary solutions at urgent problems,which cannot expect until world would embrace an idea bigger and controversial ,like that of a real global government.

A global government would implicate much more than cooperation between nations . Would be an entity with similar characteristics of a state sustained by a legislative body.European Union has just established a continental government for 27

nations which can be a model. UE has a Supreme Court . a currency , thousands of right pages ,a civil service and the capacity to dislocate military forces. The european model could extend at global level . There are three reasons that this thing could be possible : first,is too clear the fact that the most difficult problems which the national governments are disputing with have an international character : global warming a global financial crisis and a global war against terrorism, the second ,this thing is possible through an awakening ,a change in the politic atmosphere as the financial crisis and the climate change force the national governments to choose certain global solutions ,even in countries like China and USA, which in a traditional way , protect their national sovereignty strengthfully.

Jacques Attali consider that global governance is only an euphemism for a global government ,international financial crisis is due to the fact that we have global financial markets but we don't have a world's legislation.Despite this , every pressure towards a <<global governance>>... will be a painful and slow process.

One of the problems that we have nowadays can be illustrated through an example came from European Union , which suffered a series of humiliating defeats in the referendums, right when it was necessary that plans for a stronger union to be approved by voters. Generally ,European Union has progressed fastly when the problems with much influence were agreed by technocrats and politicians - and after that approved without direct reference to voters.

US National Intelligence Council (NIC), the community center of informations from USA for a strategic thinking on a long and medium term has launched ,in the year 2008 , a report which was realized in coloboration with many think-tanks ,consultance firms ,academic institutions and hundreds of experts ,including the Atlantic Council of US , Wilson Center, RAND Corporation , Brooking Institution ,American Enterprise Institute , Texas A&M University, Council on Foreign Relations and Chatham House from London .

The report named "Global Trends 2025: A world transformed", outlines the actual economic global political trends which world can follow till the year 2025. Regarding the financial crisis ,is said that it's solving needs long time efforts of establishment of a new international system . It is suggested that ,as the model of development in China becomes much more attractive ,can exist a decline in democratization of the emergent economies , of unperformant authority regimes and of weak democracies ,frustrated from years of weak economic performances. More , the dollar will stop to be a global reserve currency , because probably will be a trend removal from it.It has been told that the dollar will become a type of main currency between other equal currencies , till the year 2025 and this phenomen can appear suddenly ,after a crisis,or in time ,once with rebalancing at global level.

The report explain the meaning of the construction of a new international system , declaring that until 2025 ,nation-states will not be the only actors on the world's stage and the international system would be already transformed to match with the new reality. But the transformation will be incomplete and not uniformed. More than that , it is less probably to happen a global approach ,unitary ,comprehensive than the concept of a global governance. Actual trends suggest that in the year 2025 ,the global governance will be a patchwork of overlapping ,formed by fragmented efforts ,ad-hoc,with coalitions always in change constitute from member nations ,international organizations ,social movements , ONGs, philanthropic foundations and different companies.

It is unlikely that the many pressing transnational problems (including here: climate changes ,regulation of globalized financial markets ,migrations, bankrupted states ,criminal networks etc.) to be solved in an efficient way through individual actions of the nation-states. The need of an efficient governance at global level will increase faster than the speed which can respond the recent mechanisms.

Those groups will have implications for the capacity of creating in the near future (at world level) the accords of Global Organization of Trade and regional groups will compete to establish the standards for trans-regional products , for IT, biotechnology , nanotechnology , rights of intellectual property ,as well as other products of the "new economy". Of great importance is the subject of democratization. The report said that is possible that the advance goes slowly and globalization will make that many countries recently democratized to be subjected on social and economical pressures increased , which can undermine liberal institutions .This is mostly because economical performances better than another autoritary governments can sow doubts between some people ,about the fact that theory that democracy is the best form of governance. The autors of the report say that the polls which they had consulted demonstrate that those from East Asia put a big accent on a good management , including the increasing of life standard ,than democracy.

Even in many democracies well established ,the investigations show that the existance of some increased frustrations about actual mode of function of the democratic systems of governance and some controverses between elites ,about the capacity of democratic governments to enterprise the necessary actions for being occupied faster and efficiently of the biggest number of transnational challenges.

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