

JOHN WILLIAMSON AND THE INTERNATIONAL MONETARY SYSTEM OR “NONSYSTEM”?

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INTRODUCTION

Williamson points of departure:

The Failure of World Monetary Reform (1977)

International Liquidity (1973)

Williamson topics:

1. Exchange Rate Volatility
2. Adjustment Process
3. Management of International Liquidity
4. Misdistribution of Seigniorage
5. Asymmetric position of the US Dollar

EXCHANGE RATE VOLATILITY

(Table 3.1, page 33)

For the G-20 countries, we conducted **two tests** of month-to-month, 12-month, and 24-month variability of nominal and real effective exchange rates – 1975 to 2011

Found **significant reductions in variability**, but the **mean 10-year decline was small**, 15-20 percent

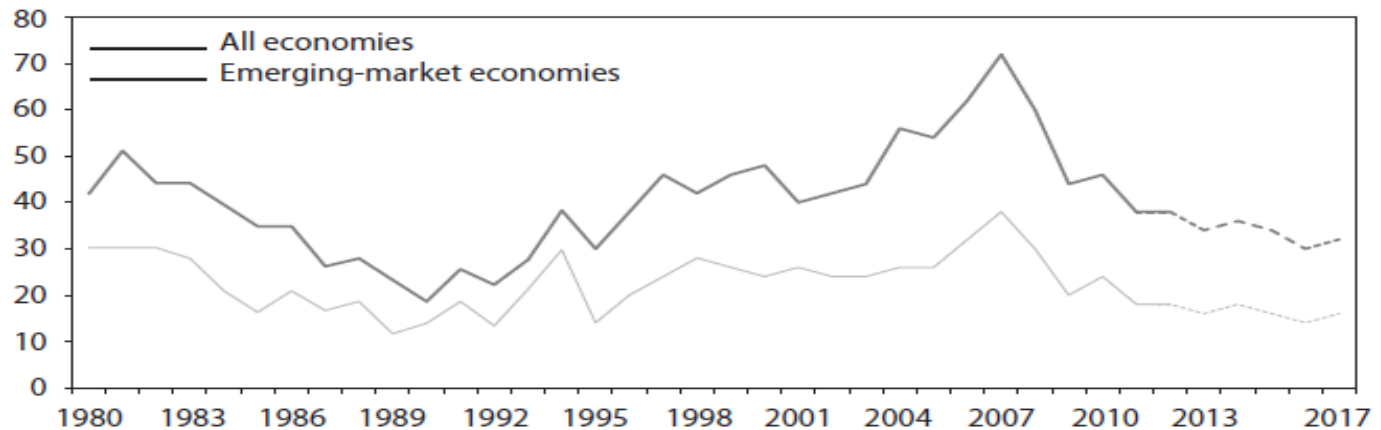
But **reduced variability** does **not** necessarily mean **better adjustment**

THE ADJUSTMENT PROCESS

(Figures 3.1 and 3.2, pages 36-37)

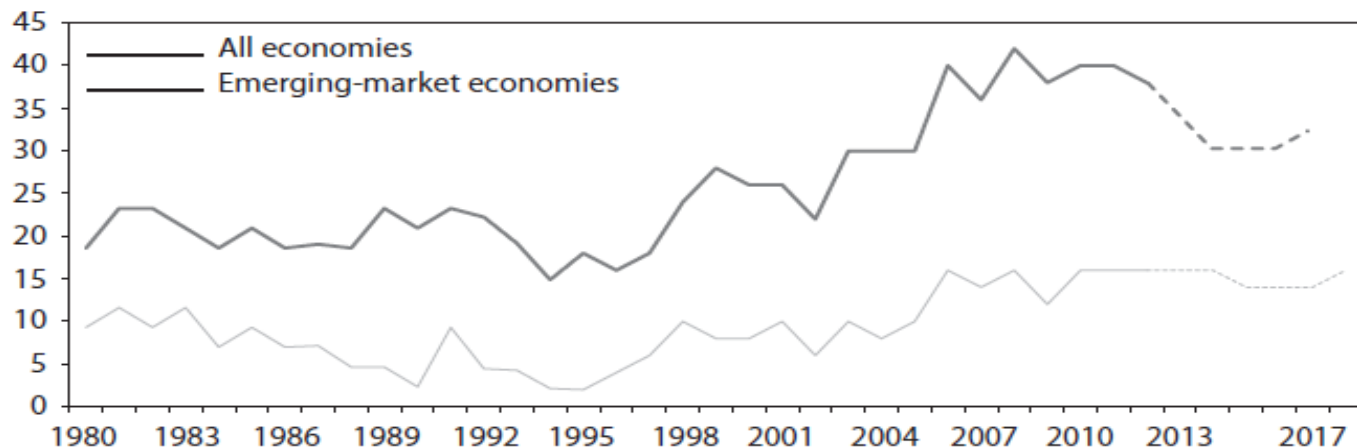
National imbalances

percent of countries



World imbalances

percent of countries



INTERNATIONAL LIQUIDITY

(Table 3.2, page 40)

Evolution of International Reserves

	1970	1980	1990	2000	2011
Reserves and components	World				
Total reserves (billions of dollars)	95	997	1,293	2,282	12,103
Percent of world GDP	n.a.	9.3	5.8	7.1	17.4
Composition (percent)					
Foreign exchange	48	38	67	85	84
Gold	41	59	28	12	12
Special drawing rights	3	1	2	1	2
Reserve position in the IMF	8	2	3	3	1

SEIGNIORAGE AND THE DOLLAR

(Table 3.3, pages 43-44)

Estimates of Seigniorage

	2011	2006	1999
TOTAL	\$75 billion	\$ 39 billion	\$13 billion
% of Global GDP	0.1	0.07	0.04
SHARES			
United States	62.2	65.5	71.0
Other Reserve Currencies	32.5	32.8	27.4
Non-Reserve Currencies	5.3	1.7	1.6

There has been a **rapid evolution** toward a **multicurrency international monetary and financial system**

Reserve diversification away from the dollar has **not contributed** to exchange rate fluctuations

CONCLUSIONS

John Williamson's **concerns** about the international monetary system 40 years ago **largely have not materialized**

The **principal benefits** of the Bretton Woods system **remain**
But the system **could have worked better**; principally the **adjustment process**, not the management of international liquidity

Drawing on John's work, the IMS and the role of the IMF should **continue to evolve**

The **Pilot External Sector Report** is an encouraging step. It imperfectly embraces John's **Fundamental Equilibrium Exchange Rates** (FEERs). He should take pride.