



International Monetary System

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Evolution of Monetary System

- 1. Full-Valued (Full-Bodied) Money: By Weight, By Tell, Seignorage.
- 2. Fiduciary (Trust) Money: bank notes or token fully convertible to monetary standard. Riksbank (1625,1661,1668), Song Dynasty (cir. 900). 100% Reserve, Fractional Reserve. Irony of Trust.
- 3. Fiat (Decree) Money: Money with little intrinsic value and not convertible to anything valuable, but the State proclaims it is worth such and such .




Dilemma of Monetary System

- Discipline (Trustworthiness, Quality) vs. Flexibility (but flexibility often leads to loss of discipline and loss of credit)
- The Discipline-to-Flexibility-to-Discipline Pendulum: From full-bodied money to fiduciary money to fiat money to Currency Board and Monetary Union.

Chronology of Gold Standard and Gold-Exchange Standard

1. 1696: British Silver Re-Coinage
2. 1717: Issac Newton fixed the price of gold at £ 3 s17 d10 ½ per troy ounce 0.9167 fine. Beginning of the de facto gold standard.
3. 1797: Britain suspends pound convertibility to gold.
4. 1816: England adopts the gold standard de jure.
5. 1819: Britain resumes pound convertibility
6. 1857: Monetary Union among German states and Austria
7. 1865: Latin Monetary Union (France, Belgium, Switzerland, and Italy)

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8. 1867: International Monetary Conference---Universal Money
 9. 1914: Suspension of convertibility of all currencies
 - 10.1925: Pound convertibility restored
 - 11.1931: Britain abandons Gold Standard
 - 12.1933: US. abandons Gold Standard
 - 13.1944: Bretton Woods Agreement: Gold-Exchange Standard
 - 14.1971: Nixon shock suspending the convertibility of U.S. dollars: Gold-Exchange Standard collapses
 - 15.Current States: Non-System or questing for discipline once again?

British Silver Re-Coinage

- 1. Act of convenience vs. social contract.
- 2. Cost of re-coinage:
- 3. Triumph of bourgeois value.
- 4. Consequences:

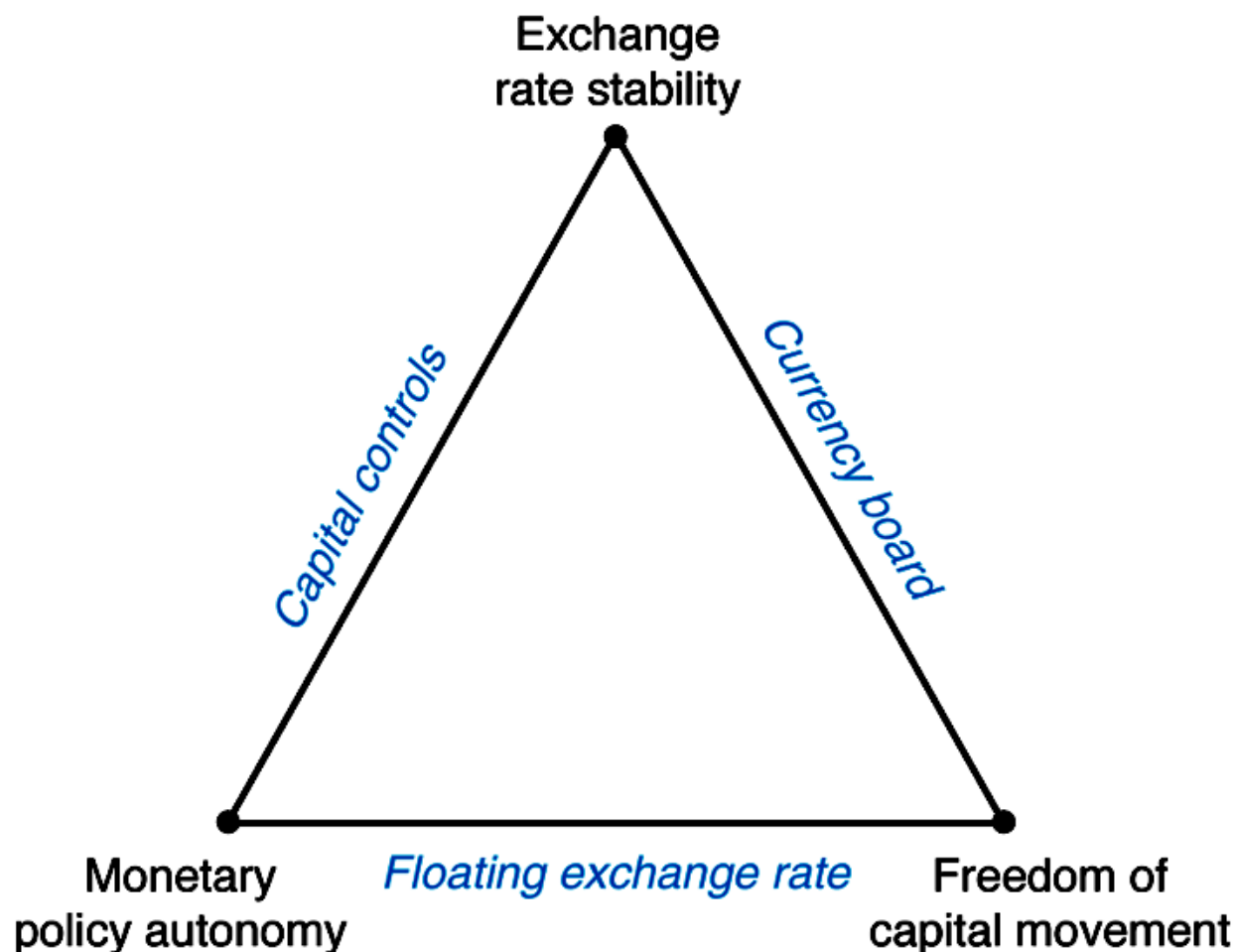
Consequences of Silver Re-Coinage,etc.

- 1. Pre-1688: 1M public debt at 20-30% interest rate.
- 2. 1710 (Post War of Spanish Succession): 21.4 M public debt at 6-8% interest rate.
- 3. 1750 (Post War of Austrian Succession): public debt of 78 M at 3% interest rate.

Beginning of the de facto gold standard

- 1 1717 : Issac Newton Fixed the Price of at £ 3 s17 d10 ½ per troy ounce 0.9167 fine. Master of the Royal Mint.
- 2. 1 Pound = 20 Shillings, 1 Shilling = 12 Pence. (1 Pound = 240 Pence).
- 3. 1 troy ounce = 31.1 gm.
- 4. By 1, 2, and 3 : 1 Pound = 0.2354 ounce of pure gold = 7.321 gm pure gold.
- 5. Last for over 200 years.

The Trilemma of the Exchange Rate Regime



Currency Board(通貨委員會制度)

定義

在典型的通貨委員會制度下，貨幣當局不能持有本國資產，貨幣當局只有在社會大眾繳交充當本國貨幣本位的標的物(例如黃金、白銀、美元、英鎊、馬克或歐元...等等)時，才可以被動的發行本國貨幣。換言之，本國貨幣只不過是做爲“本位”標的物的收據而已，本國貨幣與標的物之間的比價因而可以固定不變。

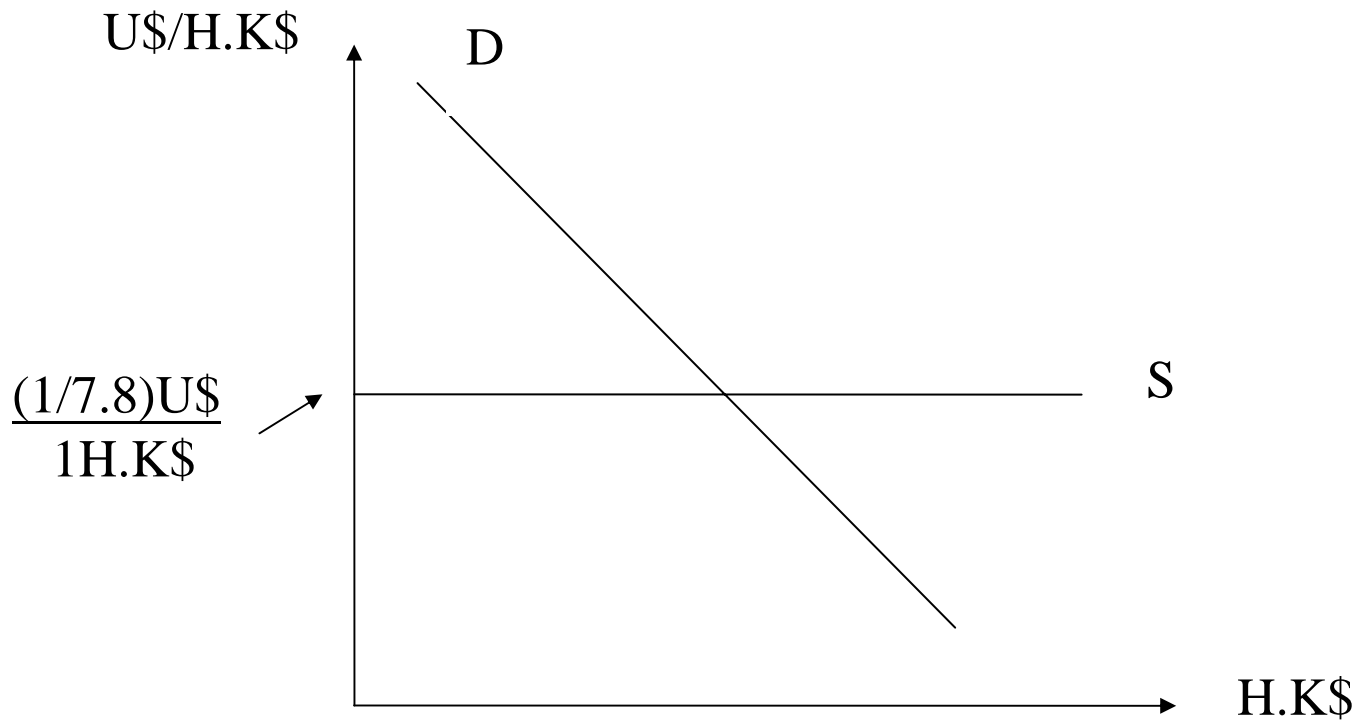
通貨委員會制度的優點

- I. 在這種制度底下，沒有濫發鈔票的問題(因而是對抗通貨膨脹的利器);
- II. 沒有貨幣當局為捍衛匯率而耗盡外匯存底的問題(因而匯率可以保持不變);
- III. 沒有貨幣當局買進政府公債的問題(因而可以迫使政府維持財政紀律)。

The Case of Hong Kong

1. 1935-1972: 以英鎊為本位的通貨委員會制度
2. 1972-1974: 以港幣為本位的固定匯率制度
3. 1974-1983: 以港幣為本位的浮動匯率制度
(沒有貨幣政策自主性的浮動匯率制度)
4. 1983-To Date: 以美元為本位的通貨委員會制度

Base Money Market for H.K\$



The Case of Hong Kong

1 香港政府的對策:

香港政府於1983年10月17日實行以美元為本位的通貨委員會制度，規定發鈔銀行(Note Issuing Bank)必須以「1美元兌換7.80港元的固定匯率向貨幣當局繳交美元並取得貨幣當局的負債證明後，才能發行港幣;日後，若發鈔銀行收回港幣，可再將負債證明交還貨幣當局以取回美元。」該制度的運作方式如下圖所示:

The Case of Hong Kong(5)

