

Jean-Pierre Roth: International monetary order – or disorder?

Summary of a speech by Mr Jean-Pierre Roth, Chairman of the Governing Board of the Swiss National Bank and Chairman of the Board of Directors of the Bank for International Settlements, at the Research Institute for Empirical Economics and Economic Policy, University of St Gallen, St Gallen, 14 November 2006.

The complete speech can be found in German on the Swiss National Bank's website (www.snb.ch).

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The term 'international monetary order' is misleading. Although international monetary systems may have appeared orderly in the past, they were actually dependent upon rigid compliance on the part of the industrial countries, first with respect to the gold standard and later with respect to fixed exchange rates. However, since compliance was in fact anything but rigid, the world experienced a series of currency crises and devaluations. Order existed on paper only. The reality was disorder. Nowadays we have an overwhelming impression of disorder, and yet our national monetary systems are based on sounder foundations than in the past. The risk of currency crises has been lessened by the transition to flexible exchange rates and the move towards monetary integration. In addition, the expansion in the free movement of capital is – to an ever increasing extent – subjecting national economies to the discipline of international competition. Inevitably, this has impacted on the role of the International Monetary Fund (IMF). While the IMF used to be the guardian of the system of fixed exchange rates established in Bretton Woods in 1944, it now works to promote international financial stability. In this role, it oversees the overall economic and financial position of its member countries. More than ever before, its activities are primarily aimed at crisis prevention.