UNCONVENTIONAL MONETARY POLICY MEASURES IN A WORLD WITHOUT GLOBAL CURRENCY

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Abstract

After the Great Depression of the 1930s, a key role in outweighing the biggest financial and economic crisis has played the implementation of unconventional monetary policy measures, being practised as a policy of ultra-cheap money. The need of their implementation in the developed countries is a proof that the standard measures could not provide a way out of the recession into which they have fallen, and there has been brought into question the functioning of the existing system and relations, especially the functioning of national currencies in the role of world money. It is a fact that the standard measures, through the policy of cheap money, have temporarily showed themselves as a proper vehicle for leading a relaxed monetary and fiscal policy in the developed economies, but in the end they have resulted in financial and debt crisis. However, it is a problem that the way out of recession was looked for within the implementation of unconventional monetary policy measures, by which, in fact, there has been increased the level of its relaxation, and thus the danger of future crises too. It is known that the thing which led to crisis cannot help outweigh it. By implementing unconventional measures within the existing International Monetary System, the crisis can only be carried in other countries and it is not solved permanently. For that reason, it is necessary to be created a global currency as a result of which, the national systems will turn themselves back to the implementation of conventional measures, with no possibilities for carrying the national economic problems into other countries.

Key words: unconventional measures, monetary policy, forward guidance, tax relief, quantitative easing, global currency

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INTRODUCTION

In outweighing the biggest financial and economic crisis after World War II, the most developed countries in the world (the USA, EU, Great Britain and Japan) have mostly relied on the implementation of unconventional measures of the monetary policy. The fact that the way out of crisis has been prolonged in spite of the aggressive implementation of such measures, it has imposed the questions of how effective and adequate they are for permanent outweighing of crises of global dimensions as the last one used to be. It has been showed that the short-term recovery of the economies of the already mentioned countries does not mean their total return on the way of reaching pre-crisis rates of economic growth and employment, and it is difficult to estimate what would be like the consequences of the aggressive monetary policy of cheap money within the countries themselves (strengthening of protectionism, currency and even trade wars). Particularly big are the uncertainties what will happen after there will have to be stopped the stimulation of economies by policy of ultra-cheap money to what, of course, it will come sooner or later because the monetary policy is not all-powerful even with an aggressive policy of ultra-cheap money. After all, if that is possible, there will not be unsolvable economic problems in the modern systems of paper money and floating exchange rates in the inter-currency relations in the world. If the problems of growth and employment are solved through a policy of cheap and ultra-cheap money, the crises are inevitable and will be sharper.

Within the elaboration of the need for taking unconventional measures of monetary policy and for their achievement, we will hold on to the sense of conventional and unconventional measures, to the conditions under which they are implemented and to the question why the most developed countries approach the unconventional measures (countries whose currencies perform also a role of world money) without larger fears for the consequences of such approach. The other countries, as a rule, lead monetary policies, as much as they can, directed towards the achievement of stability of the general level of prices in the country, and many of them maintain a fixed rate of national currencies on some of the leading currencies (dollar, euro, yen). Besides that, the behaviour of the second countries is treated like a normal behaviour of the central banks, whereas the aggressive policy of cheap money of the leading economies is approved as a result of the fact that the level of prices does not surpass the set limits of the central banks in spite of the expansive monetary policy. It has not been taken into account the withheld influence of the large sums of money, not only on their own economies, but also on the countries which use their currencies for international payments and/or as monetary reserves.

The moment when the conventional (standard) measures became insufficient for achieving the aims of the monetary policy in the leading countries is of particular significance within this context. This will lead to the outbreak of the biggest financial and economic crisis after the Great Depression of the 1930s and to powerlessness to outweigh the recessive movements by using unconventional measures, first in the USA, then in the Euro Zone and at last in Japan. It has been showed that within the implementation of unconventional measures of the monetary policy, it is seen a vehicle for prompting the economic growth and employment, i.e. a way of getting out of the recessive flows and of reaching the pre-crisis rates of economic growth and employment. However, it is a problem that such expectations have not been accomplished even five years after the outbreak of the crisis.

The results out of the implementation of the unconventional measures impose the question of their achievement – what was expected and what has been achieved, i.e. how large the power of the monetary policy is within the achievement of goals which are not within its competence. It is a fact that it has been made possible the outweighing of the recessive flows ("injecting" large amounts of money within the financial system), but it has not been provided the desired dynamics of economic growth and employment, and it can be said that the achieved results will be brought into question if the financial system does not give further support to the emission of cheap money. Within this context, the warnings that the extension of the relaxed monetary policy of FED resembles to the situation when an alcoholic is given alcohol to sober up, seem reasonable. This situation indicates that the possibilities for further use of the unconventional measures have already been exhausted because they are becoming counter-productive both of the aspect of the national and of global economy. This means that it is high time to look for long-term solutions, simultaneously, both for the global and national economies in order to avoid new crises.

This point of view is based on the fact that the relaxed monetary and fiscal policy of the national economies of the USA, of the countries in the Euro Zone and in Japan has an important share in the generation of crisis, and there is no doubt that such policies were made possible by the functioning of their national currencies as world money. This privileged position has enabled them to lead a relaxed monetary and fiscal policy several years before the crisis (irrespective of the reasons – the growth of inequality and the need to be mitigated, insufficient and ineffective supervision and control of the financial institutions, management greed for "too big to fail" etc.), and after the crisis set itself in, it has been striving for withholding the market resolution of the irrationally used credit and budget resources. It is clear that the withholding is still possible. However, in the meantime, as a result of the fact that part of the burden (through the rise in prices) has been carried in the economies of other countries too, it can be expected sharpening of the mutual economic relations, implementation of various protectionist measures, and even waging currency and trade wars. Consequently, this development of events will bring into question the role of the national currencies in the function of world money and it will emphasize the need for creating a global currency, as a result of what it will be reduced the possibility of carrying the national problems in other countries and it will be made possible the responsibility for the position of national economies to be demanded from the political and business *é*lites, so that they cannot manipulate the value of money as a powerful tool. But, if they do this, then the citizens of their countries will suffer the consequences of those actions in the first place.

Reasons for implementing unconventional and other types of measures

It has come to implementation of the unconventional measures of the monetary policy in the developed countries after the possibilities for influence of the conventional measures on the achievement of macroeconomic objectives of the national economies were exhausted. This moment coincides with the powerlessness of the central banks to give impetus to the economic growth after the economies have fallen into recession because the key instrument – the discount interest rate has already been lowered to zero, whereas the recovery from recession has been dropped out. Not going into the reasons, for instance, why the economic subjects of the USA remained not enough interested in investing even under favourable conditions provided by the interest rate which the banks could use in order to borrow from the central bank (including here, of course, the indebtedness of the pre-crisis period and the distrust of a quick way out of recession), it is a fact that by lowering the interest rate to zero, the monetary policy was left without conventional resources for economic growth and employment i.e. for as fast as possible way out of crisis. During the recession, the main vehicle – the policy of cheap money was not able to contribute to the expansion of economic activities. The potential investors have been paying off their debts rather than being ready for lending or investing. Some of them even preferred to own cash.

This situation, in fact, forced the Federal Reserve to use and other unconventional measures of the monetary policy in order to accomplish the tasks which are within their competence – the stability of prices and the employment growth. When the central bank did not succeed to encourage the investors by using the policy of cheap money, it approached the implementation of the policy of ultra-cheap money. In order to encourage them to invest, i.e. to create even more favourable conditions, it approached the redemption of treasury and other bonds and mortgage-related securities, having a goal to release some resources which have already been invested in securities to the holders of such papers and which would be invested by them again. By means of such redemption, FED pumped up 2.800 billion dollars out of which one part was definitely used and it contributed to the growth of production and employment, but one part was left as cash in the banks or to the other vendors of securities. A good part was returned again in the central bank as a surplus reserve on which it has begun to be paid off an interest rate since 2008[3]. A large part of the

[3] „The volume of excess reserves held at the Fed increased dramatically from less than $2 billion in 2008 to $1.8 trillion now“ (Martin Feldstein, Why Is US Inflation So Low? Project Syndicate, Jun. 28, 2013

resources has ended up as investments in the securities of the Stock Markets (as a result of what the indices of shares of the Stock Markets have already reached the pre-crisis levels) or in purchase of real estate.

Without going into a more detailed systematization and categorization of the unconventional measures, it is enough to observe them in two broad categories: asset purchases and forward guidance, where the key policy is the one of maintaining a low, zero interest rate.

The purchase of assets was an activity of the central banks even before the implementation of unconventional measures of the monetary policy. By purchasing government and other bonds with short-term maturity, they were increasing the offer of money and decreasing the short-term interest rates. When the interest rates fell near zero, the central banks began to purchase long-term government securities in order to reduce the costs of long-term borrowings. These activities are also called quantitative easing (QE). By means of quantitative easing, the long-term interest rates are reduced and because of that, the businesses and households are prompted to invest.

In order to prompt the investment, it has been approached credit easing as well. It comes down to buy-out of private property with the object of reducing the costs of capital within the private sector.

The central banks have been trying to encourage the investors through the forward guidance policy, thus signalling their future policies in relation to the maintenance of quantitative and credit easing and/or the policy of zero interest rate. The central banks implement the forward guidance policy by telling the time until when they intend to keep the low interest rate – for a while, for a longer period of time, to a fixed date or to keep it till they achieve certain goals, as the example of the USA – till the rate of employment is not brought below 6.5% and the inflation does not exceed 2.5% etc. Taking into account the previous announcements and knowing the resource prices and the time during which they will be valid, the interested parties can determine their own economic activity.

For instance, the Japanese Central Bank implements the forward guidance policy by announcing that it will maintain a policy of zero interest rate on the basis of medium-term to long-term price stability. In order to outweigh the depressive pressures in the economy, it has announced an inflation target of 2% and unlimited purchase of assets. In order to direct the subjects, the bank has announced that the price target of 2% has to be achieved by doubling the mass of prices during a period of about 2 years.

The implementation of unconventional measures in the Euro Zone began later than in the USA, given the fact that ECB believed that the situation will improve only by reducing the discount interest rate which was far above the American one. Because that did not happen even after the interest rate was reduced to 0.5% and the debt crisis threatened to suspend the euro and to destabilize the European Union, ECB approached the implementation of unconventional measures.

It had to solve a formally legal problem about their implementation. According to the regulations, as a central bank, it cannot redeem debts from the countries, but only from the banks. For that reason, it supported the banks so that they could redeem debts from the countries. It is slightly different from the USA, but in essence it is the same, because the debts of the countries have been accumulated in the banks instead in ECB as a result of their business decisions.

In addition to the strengthening of the financial position of the economic subjects, FED succeeded, by using the unconventional measures, to provide the low interest rates to be maintained as an important condition for increasing the interest in investment. In this context, the announcements of maintaining the low interest rates during a longer period of time were also an original guide for investors.

The implementation of unconventional measures of the monetary policy has not only ongoing positive impacts but also risks. The programmes of purchasing government bonds involve the risk of accumulating certain losses in the central banks because they purchase the bonds for higher prices and have to sell them for lower prices. It will come to some losses if the expected objectives are achieved by implementing relief measures. This is so because along with the economic recovery, it will come to increase in the long-term interest rates and this will lead to reduction in the prices of government bonds.

The achievement in the functioning of unconventional measures

By implementing the unconventional measures of the monetary policy in the most developed countries, there have been achieved certain results in the recovery of their economies. The USA went out of recession and it is achieving positive economic growth rates, its inflation is below 2%, but it has not reached the pre-crisis rates of economic growth and the rate of employment yet. The countries of the Euro Zone went out of recession, but their recovery is slow. The Japanese economy has marked price movement and outweighing of deflationary pressures.

The positive effects of the functioning of unconventional measures of the monetary policy in the countries, which have currencies performing the function of world money, show that they are useful for the recovery of national economies under conditions of recession, but they are not sufficient for achieving the set goals. The reason has to be looked in the fact that "the increase in money supply following QE has not led to credit creation, to finance private consumption or investment. Instead, banks have hoarded the increase in the monetary base in the form of idle excess reserves. There is a credit crunch, as banks with insufficient capital do not want to lend to risky borrowers, while slow growth and high levels of household debt have also depressed credit demand."[4] In the same comment, the professor Roubini points out that "all of this excess liquidity is flowing to the financial sector rather than the real economy. Near-zero policy rates encourage "carry trades" – debt-financed investment in higher-yielding risky assets such as long-term

[4] Nouriel Roubini, Bubbles in the Broth, Project Syndicate, Oct. 31, 2013, www.project-syndicate.org/commentary

government and private bonds, equities, commodities and currencies of countries with high interest rates".

There are authors who believe that in spite of the huge resources, the unconventional measures of the monetary policy did not achieve the expected results because they were insufficient[5]. In order to be reached the pre-crisis growth rates and unemployment rates, the used resources had to be huger and to be used for a longer period (in order to transform that policy into a conventional one).

Others think that the non-achievement of goals of the unconventional measures of the monetary policy is because of the fact that the biggest American problems are not problems of liquidity, and as a result of that the monetary policy cannot solve the problems of real economy.

There are also opinions according to which it has to be stopped the implementation of unconventional measures as soon as possible, considering the possible negative consequences for the development of national economies and the relations in the world economy. In 2009, the monetary economist Alan Meltzer warned that the Americans will soon become "a nation of inflation". A year later, OECD called upon FED to raise the interest rates in order to avoid the risks of inflation and in 2011 the representative of the Congress, Paul Ryan warned that the inflation, which is on the prowl, is a terrible thing to debase the dollar.

The contradiction of opinions in relation to the implementation of conventional measures has come to the fore after the announcement of FED for reducing or stopping the redemption of government bonds and mortgage-related securities. The supporters saw a danger of falling back into recession within the reduction and especially within the cessation of redemptions, whereas the opponents saw a danger of increase in inflation (and of the interest rates as well, and as a result of that – an increase in debt obligations) and tightening of the international economic relations, waging of currency and trade wars (control of the capital movement, protectionism) within the extension of quantitative easing.

It is obvious that the first are expressing an absolute preference for the national interests (until the goals are not achieved), using at the same time the privileges provided by the use of the national currency as an international resource of payment and reserve, whereas the latter being concerned about the consequences of the policy of ultra-cheap money for both the national and global economy, are trying to avoid the negative consequences of inflationary finance (as for example, the wrong capital allocation, the redistribution of income and the decrease in the value of national currencies, and thus the reduction of confidence in them as world currencies).

Being focused on achieving the current national interests, the monetary authorities are expressing a preference for the developing goals at the moment (getting out of recession, reducing

[5] This opinion is also held by the bearer of the Nobel Prize, Paul Krugman, within the columns of the newspaper New York Times

the unemployment and achieving higher economic growth), at the expense of the monetary ones which are basically coming down to maintenance of the stability of prices' level. Even when it is mentioned the stability of prices, it is seen in the current level of prices (under conditions of recessionary pressures on the economies) with the purpose of pointing out that there is no danger of accelerating the inflation. Briefly seen, it is so, but it cannot be disregarded the influence that will carry out the pumping up of large amounts of money in the national economies and global economy within the next period. Therefore, it can be told that the suggestions for incorporating a higher rate of inflation as a target of the monetary policy of the central banks (from 4% to 6%) are not accidental[6]. This is a method for legalizing the inflationary financing carried out by "the packages for rescuing the financial systems" because of the earlier extravagant spending (instead of bankrupting the subjects who exaggerated their spending and are not able to pay up the mature liabilities) which ended up with the deflation of bubbles or with an increase in the public debts to a level when they cannot be discharged. This is a move which anticipates the future inflationary pressures both of the former implementation of unconventional measures and of their further implementation until the effects of the inflationary financing of deficits are not "distributed".

The implementation of unconventional measures of the monetary policy in the most developed economies had its own influence upon the less developed economies as well, i.e. on the countries being in boom and on the developing countries. In the first reactions to the decrease in discount interest rates and to the pumping up of large amounts of money in the financial systems, it has been pointed out to the danger of increase in protectionism within the international economic relations and of outbreak of currency wars. The countries in boom got frightened of short-term capital inflows as a result of what they will have to appreciate the values of their own currencies, and thus they will worsen the competitive ability of foreign markets.

In order to be approved the actions for the recovery of national economies in the most developed countries, there have appeared opinions and attitudes according to which there will be no problem if the countries in boom implement measures of control of the inflow and outflow of capital, contrary to the long-time practice of liberalization of capital flows in the process of globalization. This was also heard by the leaders of IMF.

There is no doubt that before the crisis, the boom of the developed economies had positive influence on the development of the less developed economies, but with the outbreak of the crisis they also underwent unfavourable influences, including forced adaptations due to the changes in the developed economies after the implementation of unconventional measures of the monetary policy.

[6] The main economist of IMF, Oliver Blachard, was the first who gave the suggestion for targeting the inflation at 4% in an article in co-authorship with others. In relation with this suggestion, The Economist estimated that the idea as an intellectual exercise is very interesting, but as a political suggestion, it is irresponsible. (The Economist, February 18th, 2010). Then, several authors "auction", and thus the rate of targeted inflation increased to 6%. Kenneth Rogoff suggested 6% annually within a period of several years.

However, it has already been posed the question when it will stop their implementation i.e. when the monetary policy will return within the framework of the implementation of conventional measures. But there is no clear answer. There is only a direction by the General director of IMF, Christine Lagarde that “Central banks don’t need to rush ultra-easy money exit”. Nevertheless, the central banks are tormented between the achievement of the desired growth rates and employment and the danger of losing control over inflation and repercussions on the process of globalization. The choice is very difficult because it has to be chosen, as Roubini says, between “kill the recovery to avoid risky bubbles or go for growth at the risk of fueling the next financial crisis”.

Privileged possibility for implementation of unconventional measures

The implementation of unconventional measures of the monetary policy in the most developed countries indicates an increase in the liquidity in their national economies, and given the fact that their currencies perform the role of world money, they have an influence on the international liquidity. It means that this increase in liquidity must be observed from the aspect of the need and justification for creating liquidity larger than the market one which is necessary for the functioning of the national economies under stable conditions (in accordance with the competence of central banks) and of the global economy.

The need for larger expansion of liquidity in the national economies has imposed itself because many subjects were not able to fulfill the obligations during the crisis, and bankruptcy threatened them. Because of the fact that there were also “too big to fail” among them, including countries from the Euro Zone, the monetary authorities had to intervene by implementing unconventional measures (because the conventional ones in connection with the discount rate were exhausted) in order to avoid disruptions larger than the potential ones looming out of their implementation. This is, in fact, justification for “the inflationary financing” of rescue projects of huge financial institutions, countries and companies. It is sure that without such measures, it will come to tightening of the internal conflicts between the labour and capital which the political elites are not ready to manage because the internal situation will become even worse. In order to avoid that danger, FED, ECB and JCB were forced to implement non-standard measures, too. Therefore, it can be said that the resorting to such measures does not seem very difficult and responsible for them. Especially, if it is taken into account the fact that during the period of boom, before the fall into crisis, in their countries' economies, there have been implemented relaxed monetary and fiscal policies whose implementation, in fact, has brought down to the financial crisis. If those policies were favourable and necessary in “good times”, then they are more necessary under the conditions of crisis. Moreover, one part of the negative consequences will be carried out, after all, in the other countries using dollars, euros and yen by the increase in inflation.

There is no doubt that after the departure from the dollar-gold exchange standard in the 1970s, the implementation of unconventional measures of the monetary policy was made easier by the privileged position of the dollar, euro and yen in the international payments and by the inconsistent international monetary and financial system. The implementation of unconventional measures was excluded from the system of commodity money (for instance, from the system of gold validity), it was prohibited and slowed down within the system of gold-currency i.e. gold-dollar exchange standard, whereas it "shook off" in the system of paper money after the abolition of the convertibility of the dollar into gold and the functioning of dollar standard (with floating exchange rates in the inter-currency relations).

Although the relationship between the policies of cheap and ultra-cheap money and the role of national currencies performing a function of world money are not much elaborated, it is obvious that the implementation of unconventional measures of the monetary policy by the central banks whose currencies play an international role for outweighing the national economic crises, is made easier as a result of their position in the international payments (in absence of the global currency). The countries without such a position of the national currencies must not even think about any implementation of measures which "monetize debts" i.e. cover the expenditure over the earnings unless they are ready to risk the stability and development of their own economies. Therefore, the effects of the inflationary financing of deficits have been implemented among the subjects within the borders of the country. Unlike them, the countries whose currencies perform a role of global currency are in a privileged position. Because their currencies are also used as means of international reserves, they are able not only to be credited without interest, but also to carry out part of the effects of inflationary financing of deficits in other countries which are holding exchange reserves in their currency. However, despite the privileges, the monetary authorities are not calm when they are forced to resort to implementation of unconventional measures. They are worried about the danger of rise in prices in the country and even more of the weakening of their national currency value because there is a danger of losing their privileged position for a longer period of time. The effects should not be underestimated.[7] However, despite the risk, under conditions of crisis, they are resorting to non-standard measures of the monetary policy in order to outweigh it. It is an important issue, but why they led a relaxed monetary and fiscal policy in the time when, for instance, the American economy was marking satisfactory rates of economic growth and employment. Perhaps, it achieved such rates because of the relaxation of the monetary and fiscal policy.

The fact that the exaggerated privileges of the countries with reserve currencies were also used within the period of boom of their economies (with justification and because of the need for increasing the international liquidity), only points out that it has been insisted on outweighing the objective inconsistencies between the labour and capital by manipulating the value of national currencies, and not on the basis of market principles. The political elites are not ready to face the consequences of bankruptcy, particularly because they had a serious influence on their generation.

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[7] "It is difficult to estimate the cost to the US of losing the dollar's position as the leading international currency. But 2% of GDP, or one year's worth of economic growth, is not an unreasonable guess. With foreign central banks and international investors shunning dollars, the US Treasury would have to pay more to borrow, even if the debt ceiling was eventually raised. The US would also lose the insurance value of a currency that automatically strengthens when something goes wrong (whether at home or abroad). (Barry Eichengreen, The Dollar and the Debt Ceiling, Project Syndicate, Oct.10, 2013 www.project-syndicate.org/commentary)

They always find reasons to approve the concession of stable monetary policy. In the Great Depression in the 1930s, the strengthening of state intervention (by increasing its participation in the distribution of GDP), justified itself by the need for preventing the penetration of Communism, whereas in today's Great Recession, a justification is either the strive "the too big to fail" or the danger of making fascist the countries which are not ready to proportion the expenditure with the values they are creating.

In the period of boom of the national economies, the countries with reserve currencies worked out a compromise between the need for a richer country (in order to solve a lot of the social and economic problems of the bigger part of population by covering the larger part of the profit) and the interest in keeping the larger part of the capital for itself by implementing a relaxed monetary (expansionist) and fiscal policy (building up debts). Thus, it has been increased the expenditure of both the population and the country, it has been prompted the economic growth and the profits have been rising vertiginously. However, instead of decreasing, the inequality in the societies increased and reduced the expenditure. It has been showed over and over again that the inflation (the policy of cheap and/or ultra-cheap money) does not solve the real economic problems, but it only withholds their solving for better days, whereas in the meantime, it is made a distribution of the income at a national and global level. [8]

[8] **„**Since World War II, labor's and capital's shares of income have fluctuated within a narrow band, reports the White House Council of Economic Advisers (CEA). Prosperity boosted both groups by roughly equal proportions. In 1947, labor's share of nonfarm business income was 65 percent; in 2000, it was 63 percent. Everyone benefits when labor and capital work in tandem, not in opposition. But as I reported last week, labor's share has plunged in the past decade. In 2013, it's 57 percent. This shifts about $750 billion annually from labor to capital"**. (**Robert J. Samuelson, Capitalists wait for the recovery, while labor loses out, Washington Post, September 9, 2013)

CONCLUSION

The implementation of the unconventional measures of the monetary policy in the outweighing of financial and economic crisis in the developed Western economies indicated that the nature of the crisis weakened the standard measures which have been in practice for decades. The change of the nature results from the fact that the crisis is basically a consequence of the uncontrolled and highly relaxed monetary and fiscal policies in separate countries which have been led out from the rules for making money (without endangering the stability of prices at a general level) and for living within the framework of the created values.

The possibility of deviating from the basic market regularities is created with the breakdown of the Bretton Woods monetary system, by abandoning the convertibility of the currency into gold and by transferring the floating exchange rates in the inter-currency relations in the world. Thus, it has been made possible several national currencies, above all, the dollar, euro, yen and pound, to perform a role of world money and by performing that role to obtain the privileges resulting from that, and also to resort to inflationary financing of expenditure (personal, investment, state-controlled), with the possibility for carrying out part of the inflationary pressures in some other economies as well. In this direction are going also the suggestions for increasing the targeted rate of inflation from 2% to 4% or more.

By the implementation of unconventional measures of the monetary policy in the outweighing of the last crisis, the countries with leading currencies intensified the use of privileges to a level of tightening up the relations with the countries in rise and the other less developed countries because of the unfavourable influence on them and on the process of globalization. Therefore, it is necessary to eliminate the exorbitant privilege being an important reason for the generation of crisis and insufficiently effective means for outweighing it, having negative influences not only on the national economies but also on the global economy. The counter-productive effects of the implementation of unconventional measures have practically showed the inevitability of extrusion of the national currencies in the function of world money, i.e. the need for creating a global currency in order to avert the danger of repeating the crisis of global dimensions.

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