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The G10 and Reform of the Global Reserves System in the 1960s

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During the 1960s and early 1970s the G10 group of countries identified through the IMF General Agreements to Borrow led the process of reforming the international monetary system, and in particular the global reserves system. This involved managing the decline of sterling as a reserve currency so as to avoid precipitating a systemic crisis that would end the Bretton Woods pegged exchange rate system as well as devising ways to replace the use of national currencies (in particular the US dollar) as international reserve currencies. Although the intensive and prolonged discussions of this decade did not replace reserve currencies, the current financial crisis has refreshed interest in this issue. During the 2000s several countries accumulated large precautionary currency reserves mainly denominated in US dollars. The likelihood that this will be emulated by other countries in the wake of the current crisis has thrown the sustainability of the current global reserves system into question.

This paper explores the management of the retirement of a major reserve currency and why the proposals of the 1960s to replace national currencies failed in order to give perspective on similar proposals under discussion today.