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International Monetary Relations: Taking Finance Seriously

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Abstract

In this essay, we highlight the interactions of the international monetary system with financial conditions, not just with the output, inflation, and balance of payments goals usually discussed. We review how financial conditions and outright financial crises have posed difficulties for each of the main international monetary systems in the last

150 years or so: the gold standard, the interwar period, the Bretton Woods system, and

of floating exchange rates. We argue that even as the world

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negative spillovers abroad? How can the international system ensure that countries have access to an adequate supply of international liquidity—financial resources generally acceptable to foreigners in all circumstances? In concluding, we evaluate how the current international monetary system answers these questions.

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