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A NEW WORLD ECONOMIC ORDER: HISTORY, THEORY AND DIRECTIONS OF DEVELOPMENT

Abstract

The article substantiates an objective need to form a new world economic order. The authors elaborate conceptual foundations and directions of its development. They conclude that the emerging new world economic order means profound restructuring of all economic sectors and offer recommendations regarding the reforms of international financial institutions and restrictions of speculative operations on the financial market. The authors put forth a list of standards on disclosure of financial and economic information for state regulators and potential investors and service consumers that should be included in the system of new economic order. The authors further elaborate the idea of transition to a single global currency.

Key words:

Economic liberalism, single global currency, regulatory function, new world economic order, economic transparency, global financial standards.

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1. Historical Overview

The need to change the existing norms of the world economy's functioning and development is not something brand new. Governments and business representatives have always tried to improve the norms of international economic relations and cooperation. Although not always legislated, these norms, rules and agreements have nevertheless been binding for all agents: otherwise, the offender suffered direct and indirect punishment, incurring reputation losses on the global market.

The current situation is a special one – it is characterized by globalization of all economic processes creating such a world economic space, where economic agents coexist on principles of equality, respect for national sovereignty and harmonization of international interests. In accordance with that, certain organizations are gradually being established, assigned with the task of developing such conditions for international relations in the economic sphere that would assure employment of the achievements of modern civilization. In other words, the matter in question is a new order, which enables nations and individual firms to benefit from scientific advance of mankind and informatization of production based on the historical process of international division of labour.

In recognizing the opportunities and challenges of globalization in recent decades, the need for a new world economic order was put on the global agenda. Already in 1940 in Washington, the report titled «A New World Order» with subtitle «Review of the reasons for regional and world federation, including some plans for the postwar world order» was prepared for the International Carnegie Foundation. Several developing countries have also shown their interest in the matters of establishing the new economic order. In the mid 1970ies they endorsed an initiative to put the question of foreign direct investment onto the UN agenda. In trying to change the existing order, these countries came up with the idea of structural reformation of the global trade and financial system. They rejected the principle of absolute economic liberalism in international economic relations effective under the old economic order. Ultimately, the UN approved several resolutions, including the Declaration (3201, S-VI, 1974) and Program of Action (3202, S-VI, 1974) for a new economic order and the Charter of Economic Rights and Obligations of States (3281, 1974).

Analysis of the above-mentioned texts proves they are urgent today. The «Declaration on a the New International Economic Order» states: «We, the members of the United Nations solemnly declare our common determination to immediately apply efforts to establish a new international economic order based on equity, sovereign equality, interdependence, common interests and cooperation of all States, regardless of their socio-economic systems, which should eliminate inequality and end its existing injustice, and eliminate the growing gap between developed countries and developing countries, and provide more rapid economic and social development and justice in the world for this and future generations» [5].

It should be noted that at that time the state of the world economy was more or less similar to the present one. The Declaration in particular noted that «the existing international economic order is in direct conflict with the current development of international political and economic relations. Since 1970, the global economy suffered from series of crises that had serious consequences, especially for developing countries, given their greater vulnerability to external economic phenomena» [5]. However, at that time, the question of control over the approved decisions was not properly solved.

In August 1990, G. Bush made a statement about the «possibility of a new world order» at a press conference, and another one on the «historic movement toward a new world order and a long era of peace» at the UN General Assembly [6]. Unfortunately, besides this statement, no decisions or agreements followed. Most probably, the statement of G. Bush remained information for thought.

The historical milestone in the evolution of new world economic order was November 15, 2008. On this day in Washington was the first meeting of G-20 – officials from Argentina, Australia, Great Britain, Brazil, India, Indonesia, Italy, Canada, China, Mexico, South Africa, Republic of Korea, Russian Federation, Saudi Arabia, the USA, Turkey, France, Japan, and the European Union. This gathering was preconditioned by the need to make certain decisions needed to overcome the global financial and economic crisis.

The G20 summit adopted a declaration on financial markets and world economy. It proved that in conditions of globalization, the industrialized countries that have dominated the world economic arena in the past were unable to solve the problem of non-recessionary development by themselves. On the contrary, developing countries have great potential and build up their economic strength, in particular China. The summit has also changed the role of the G8 in terms of distribution of influence and capacities in the global economy. Finally, we can say that the summit laid the foundations for the new economic order in the 21st century.

However, it became clear that the understanding of objectives of the new world economic order varies in different countries. Especially significant is the difference in the positions of developed and developing countries. On December 12, 2008, the Second UN Committee rejects Resolution «Establishment of a New Economic Order». This resolution called «to continue working on a new global economic order based on principles of equity, sovereign equality, interdependence, common interest and cooperation among all States» [18]. Out of total 115 voters, 49 abstained, the USA voted against. Washington's representative said that instead of strengthening multilateral efforts, which were aimed at resolving the financial crisis, the authors of resolution offered spending UN's resources on obstructed goals. However, in Resolution 663/224 «Establishing a New International Economic Order» it was approved that the UN General Assembly «reaffirms the need for continued work on a new economic order based on principles of equity, sovereign equality, interdependence, common interest, cooperation and solidarity of all countries» [15].

Effective in terms of developing the ideas of the Washington summit, was the Meeting of G20 Finance Ministers in March 2009 in London, who agreed to apply «sustained effort» to draw the world economy out of recession. In practice, it reduced to traditional activities of lending additional finance of the International Monetary Fund to countries in the biggest trouble. Although such methods cannot be entirely rejected, they do not find full support even within the G20 itself.

Special position at the G20 Finance Ministers' Summit in London held the representatives of Germany and France, which has once again shown differences in the standpoints of different countries. They stressed the need to introduce tougher regulatory action in financial relations. The same view holds Robert Zelik, Head of the World Bank, who states that stimulating the economy by means of providing additional money to increase financing of some national economies has only a temporary effect, if problems of the banking system remain unresolved.

In April 2009 in London the second G20 Summit was held on collective action for overcoming global economic crisis. The leaders of the G20 were unanimous that «a global crisis requires global solutions». In the final communiqué of the Summit it was noted that «well-being is indivisible, that only shared growth can be sustainable and our collective recovery plan should focus on satisfying the needs of and providing jobs for workers and their families not only in the developed countries, but also in the countries with emerging markets, as well as the poorest countries, and reflect the interests of not only current, but also future generations» [21].

At the Summit of G20 in London, the forecast of the IMF was approved that global growth in real terms would renew by the end of 2010, provided that at the time its rate would exceed 2%. At that, the world community must achieve greater systemic coherence and cooperation between countries and create a system of internationally agreed high standards required by the financial system.

The members of the meeting approved the plan of global recovery and the reforms necessary to prevent from recurrence of the current crisis. According to British Prime Minister G. Brown at the closing summit, financial institutions that were created after the World War II should be reformed for greater efficiency and accountability. However, he said that the global economy should be revived by the International Monetary Fund. Thus, it is the body that must reform itself first.

The Summit in London significantly progressed in solving the problems of economic regulation, including hedge funds that attract investors with high yields (up to 185%). In Ukraine, they have not been created yet because of the lack of favourable conditions, especially the laws that regulate derivatives market, small size of stock market, psychological unwillingness of entrepreneurs to risk, and lack of qualified professionals. More important in terms of Ukrainian reality is the publication by the OECD of the list of territories that provide conditions for tax avoidance. Leaders of the G20 agreed to impose sanctions against them in the future. At the same time, in the final communiqué it is noted that the decision of the Summit would not solve the crisis, but would initiate the process that would contribute to its resolution [21].

In July 2009, the leaders of G8 held a meeting in Italy. They discussed mainly the environmental aspects and a (new) initiative on assisting poor countries with supplies of food products (according to the UN, there are 1 billion hungry people on the planet). The initiative stipulated for a requirement that the financial resources granted by the rich countries to the poor ones should be directed to development of farming, so that poor countries could feed themselves. But despite the fact that the G8 is no longer the undisputable leading forum for discussion of global problems, the world community in the conditions of crisis expected them to make decisions on at least world trade liberalization, as it is urgent for the new world economic order. In this context, analysts suggested that the leaders of G8 retreated from liberal theories of free market in the process of finding solutions to the crisis. In these conditions, there is only one way to resolve the problem – focusing on the methods of state regulation and financial control. In fact, another way is more likely – enhancing of both the market and the regulatory functions.

2. The Evolving Concept of the New World Economic Order

The problem of forming new world economic order requires elaboration of a proper conceptual base: it will allow transiting from axiomatic individual standpoints – which is very typical of the current political, economic and scientific literature – to a scientific system of searching for solutions. The lack of scientific approach is the only reason for the fact that large states, aside from being aware of the problem, were not able to consider it systematically.

The term «new world economic order» can be defined as *establishment of common, internationally recognized norms, rules and laws, primary with the aim of preventing and removing the causes of global economic crises, which are typical of the 21st century*. Such an approach calls for development and enactment of legislative acts in the system of international law, on one hand, and for elaboration of observance mechanisms, on the other.

The target of legal framework of the new world economic order at the present stage of economic development is to remove major causes of global crises. Most of these causes were identified at the G20 summit in Washington. The factors that contribute to global crises were said to include the weak norms on guarantees; imperfect risk management techniques; the growing complexity and non-transparency of financial products; and excessive use of credits in stock trading.

These factors are to be held accountable for vulnerabilities in the economic system. Moreover, these effects are triggered by favourable environment created by politicians, regulative and supervisory bodies of the developed countries, which do not adequately manage current risks. Even more exposed are developing countries, the governments of which have neither the adequately skilled state bodies nor sufficient financial resources to influence business.

There are sufficient grounds to argue that the decisions of national legislative and executive bodies during a crisis period did not correspond with the needs of financial innovations regulation. The reason for unstable macroeconomic results was the inconsistent and uncoordinated macroeconomic policy and inadequate structural reforms. The combination of the above-mentioned circumstances entailed excesses and finally led to deep shocks at the market.

The forming of the new world economic order means radical restructuring of all economic segments. In the first place, it is necessary to challenge the concept of economic liberalism, which is built on the ideas of «open market». Thus, V. Andrianov writes: «Global financial crisis put an end to the protracted argument between «Keynesianism» and «monetarism» about the role of the state in economic regulation. The crisis proved groundlessness of monetarism, which postulates that markets are competitive a priori and the market system is automatically capable of reaching macroeconomic equilibrium. At the peak of financial crisis, almost all leading developed countries were forced to use «manual» regulation of economy» [1].

We have an impression so far that the G20 prefers methods of government control and international financial control. In assessing the results of G20 summit, V. Kuchin says: «The majority of countries have developed recently according to principles of liberal capitalism. Its basic principle is market's self-regulation. The leaders of the G20 came to the conclusion that this model did not justify itself. By the way, the idea of automatic self-regulation of market economy was criticized back in the mid-19th century, and then it was resolutely cast aside by J. M. Keynes. Thus, the summit participants recognized the need to substantially enhance the regulative role of the state. They suggested putting all significant financial operations and trade contracts under serious analysis and checking, in particular at the international level» [6: 18–19].

The analogical statements are numerous nowadays, especially in the Russian press. However, they treat the issue one-sidedly. We cannot agree with interpreting such state activities as re-privatization, nationalization, providing liquidity or recapitalization as «manual» regulation. Here, the state applies market methods and appears as an economic agent. Besides, in this regard, the Declaration on financial markets and world economy of the G20 admits: «We acknowledge that reforms will be successful only if they are based on principles of market freedom, including supremacy of law, respect for private property, openness to trade and investments, market competition, and presence of effective and well-managed financial systems. These principles are important for economic growth and prosperity; they have already helped millions of people to get out of impoverishment and increase the standard of living in the whole world. Acknowledging the need to improve the regulation of the financial sector, we are committed to avoid over-regulation, which would slow down economic growth and reduce capital flows, including those to developing countries, even more» [20].

While solving the problems of global economic development in the 21st century, one should be aware that the future global organization entails a search for and determination of new political, economic, social, infrastructural, and institutional parameters. D. Lukyanenko admits that «all national economies are transitional in view of the evolving contours of future economic system» [7: 68]. It means that today, the traditional approaches to national economic development, where the entire strategy reduces to searching for ways to achieve the level of rich countries, is not sufficient. *The world enters the phase where the problems of global sustainable development and poverty will finally be solved on conditions of mankind's change of conduct on planetary scale.*

Currently, favourable conditions are being formed for solution of the permanent problem – uneven economic development. Realizing the impossibility of absolute, especially economic, equality, it is necessary to create the rules to be followed by all in a single «premier-league». The socio-economic unevenness of development should be solved by proliferating global mechanisms and instruments of world economic functioning and regulation. The so-called problem of «uneven development», when the gap between the leading and the lagging countries increases, will be resolved. It will remain for separate competitive companies rather than national economies. At the same time, the fate of laggards will be decided by the leaders through mergers and acquisitions or by the market through bankruptcy, readjustment, and other mechanisms.

3. Developing New Rules and Standards for the World Market

The process of establishing new world economic order should ensure equal opportunities on the free market not only for the developed countries, but for the developing countries as well. We should also take into account the specifics of the modern world market, which is a rigid hierarchical system that focuses mostly on preserving the dominance of the leaders, i.e. the advantages achieved by the developed countries by means of manipulating financial markets, artificially overpricing innovation products, etc. This deprives developing economies of a chance to break free from their debt burden and come out as full-fledged competitors to developed countries. Institutional structures, the functions of which consist in regulating the world market (IMF, WTO, EBRR, etc) can both effectively support this status quo and, if needed, change the rules of the game in short time (by changing exchange rates, introducing new customs rules and restrictions). The developing economies end up playing the role of losers.

The problems of radical changes on the global financial market – foreign exchange, banking, credit, stock markets – are especially acute. At that, all international financial institutions created after the World War II need to be fundamentally reformed, including the International Monetary Fund (IMF), the World Bank (International Bank for Reconstruction and Development and International Development Association), the World Trade Organization (WTO), the Organization of the Petroleum Exporting Countries (OPEC), the Gas Exporting Countries Forum (GECF), international trade organizations and associations, the International Labour Organization (ILO), the International Organization of Securities Commissions (IOSCO), and others. The new image of these institutions can be designed on the condition of solving if not the most important problem of the regulation sphere – settling the conflict between the supranational nature of instruments and institutions of global financial market and the national nature of regulation to the benefit of global financial market.

The urgent problem of supranational regulation revived the discussion of the Earth Charter, which should incorporate the rules and restrictions for all global market players. No matter which direction this discussion takes, its basic principle should be that international financial organizations should be granted such rights that would give them real power to revive global economy. This statement concerns the IMF in the fist place, the task of which should be to ensure global financial governance. This can be realized if such an international environment is created where there will be no reason to doubt the objectivity, unbiased and independent position of the IMF in at least three aspects: its control over economic systems and financial sectors; assessment of the effects of policy of separate countries, especially the developed ones, on other countries and the world economy as a whole; and global risk assessment.

Quite understandably, this direction of development can be effective if the mechanisms of assuring considerable reliability of the world financial system are created. This is a complicated question, since it touches upon the sovereign rights of nation states, since an increase in the rights of supranational organization means limitation of the rights of national governments[1]. Since such redistribution of functions cannot be avoided, it is legitimate to pose a question about improvement or rather modernization of international law. There is a possibility

[1] Here, it is feasible to cite the Resolution Draft III of the 63rd UN General Assembly of December 12, 2008, which says that today «the space for national economic policy, that is to say the scope for domestic policies, especially in the areas of trade, investment and industrial development, is now often framed by international disciplines, commitments and global market considerations, that it is for each Government to evaluate the trade-off between the benefits of accepting international rules and commitments and the constraints posed by the loss of policy space...» [10].

that in due time the IMF will grow into a specialized international financial institution, the main task of which will be global governance.

When considering the functions of the state as an economic regulator, we should take into account the fundamentally new paradigm it has come across. The positions of the state in many traditional spheres has considerably ceded to supranational regulators. The interest rate of national banks, exchange rate of national currency, import barriers, export subsidies, taxation, social policy, education, professional preparation are gradually moving from under the authority of the state to that of external regulators. As D. Lukyanenko and T. Kalchenko note, it is the first time in history that state sovereignty is losing on its own territory its full control over economy and other spheres of social life… It is already at the early stages of economic internationalization that nation states had to enter contractual relations and assume various obligations, which unavoidably limited the freedom of action of national governments in one or another way, i.e. limited state sovereignty. The more the economic, political, scientific and technological, and cultural interactions of different countries intensify and diversify, the more broadens the gap between state sovereignty de jure and state sovereignty de facto» [8: 11]. Even more rigid was D. Lukyanenko in his monograph titled «Global economic integration»: «All national economies are transition economies in view of the shaping contours of future global economic system» [7: 68].

Among the bravest proposals concerning the expansion of supranational forms of economic governance, it is worth to single out the idea of introducing a global financial tax, proposed by Gordon Brown, Prime Minister of Great Britain, at the G20 Finance Ministers' Summit in Scotland on November 6, 2009. He supported it with the statement that the «benefits of success in this [i. e. financial – trans.] sector are reaped by the few, but the costs of its failure are borne by all of us» [2]. The essence of the new tax consists in that is should be global in nature, be an element of the new global economic agreement, and compensate for banking failures. Therefore, if previously banks in the case of bankruptcies or pre-bankruptcies were saved by means of tax collections received from bank clients (innocent party), the Brownian concept transfers the source of covering banking failures to their special tax payments.

It is understandable that this concept is not appreciated by the banks. Thus, Angela Knight, Chief of British Bankers' Association, expressed her doubts, stating that such taxes will not work out as they require perfect implementation globally [2]. The complexity of implementation cannot be denied, but if a well thought-out system of collection, accumulation and allocation of global tax is elaborated, this would provide an opportunity to quietly overcome crises and lower the psychosis covering the whole financial and banking systems in the period of crisis.

Global economic crisis has revealed the absence of high standards of global financial market functioning. In order to create them, it is necessary to define principles and criteria, according to which the new face of global economy will be formed. In view of the causes and consequences of economic crises, which have happened on the verge of 20^{th} and 21^{st} centuries, especially the last one, it is necessary to develop the system of restrictions on speculative deals and operations on the financial market. Special attention should be paid to short-selling and other unsecured and marginal operations. Along with that, it is necessary to take into account the specifics of different financial markets and find the optimal debt/equity ratios for operations with financial instruments.

The realization of effective control and regulation on the supranational level is hampered by the availability of considerable national differences in accounting and financial reporting, which as a rule is preconditioned by historical factors, rather than real development of the economic sector and global practice. Assets, active market, amortization, investment amortization value, associated company, balance value of an asset, bad debt expense, affiliates, currency risk, deferred tax asset, equity, guaranteed liquidation value, goodwill, economic benefit, merger, hedging instrument, liquidity risk – these and other standards need both the unification within the frames of international economic law and clear definition of deviation margins on the national level.

All activities on creation of the system of standards for global financial system should be oriented at the removal of information asymmetry. According to numerous experts, the key reason for modern financial crises is lack of transparency in the activities of companies operating on financial markets [23]. This manifests itself in many ways in practice. There are numerous cases when rating agencies provide investors with inadequate information, or when big companies misrepresent their reporting data on purpose.

We cannot but acknowledge another aspect of the problem of information asymmetry – it infrequently arises due to objective reasons. J. Stiglitz pays attention to this problem, stating that increasing the transparency of financial companies will not improve the situation, since the cause of the problem is not the lack of information, but on the contrary, the surplus of information: derivatives complicate the modern financial system to such an extent that investors cannot assess the risks [22].

Agreeing with the statement about the complexity of modern financial system, it is worth noting that this is not the reason to drop transparency and information disclosure off the agenda. We should take into account that transparency is necessary for the «sighted ones». On the market, someone who is «sighted» – is the one who is competent. It is exactly the increase in the general financial literacy of all market participants that can decrease information asymmetry and reduce it if not absolutely then to the optimal level. On the other hand, even given full information symmetry, the market can be uncertain if its participants are not trained to use information flows, cannot independently decide on their trust in rating agencies, reports, information messages, etc.

Finally, the system of standards has to serve the aim of assuring greater accountability, enhanced control over investment hedge funds and territories that create favourable environments for tax avoidance. At the same time, it should not slow down the processes of managerial decision-making and reduce their quality. On the contrary, the elaboration of the new international system of standards should reach two goals simultaneously: support and improve the activity of regulators, and improve the effectiveness of governance.

At that, it should be taken into account that thanks to development of telecommunication systems and software, the information about changes on financial and other markets disseminates almost with lightning speed. As a result, the decisions concerning movement of capital, sales and purchases of foreign currencies, securities and debt obligations are made in real time almost reflectorily and often intuitively. Besides, global financial markets free themselves from the jurisdiction of separate, even the largest, countries. This creates a system, where mergers and acquisitions of transnational companies lead to emergence of new powerful actors in the world economy.

Generalization of the causes of economic and financial crises of last decades gives us grounds to define a list of standards on information disclosure for both public regulators and potential investors and consumers of services. We suggest discussing the following international standards:

1. Standards on the nature of financial instruments and operation of market institutions: financial reporting; information of large operations, mergers and acquisitions; data on corporate managers, their professionalism, work experience and bonuses; information of affluent owners and other persons influencing the decision-making process;

2. Standards on unregulated off-the-book OTC operations (credit default swaps, CDS);

3. Disclosure of information about persons who make decisions about stock, bonds issuance, etc.;

4. Standards on public information about unfair managers and corporate owners in the financial and real sectors of economy, whose actions resulted in bankruptcies or breaches of contract;

5. Standards on international operative exchange of information between regulators about operations of financial and industrial groups and emerging (and accumulating) risks;

6. Standards on enhanced supervision over hedge funds concerning disclosure of information about transactions and interaction with banks;

7. Standards on regulators' transparency, especially concerning the questions of appointing officials and regulatory decision-making;

8. Standards on disclosure of information on bonuses awarded to top-managers of joint-stock companies;

9. Standards on energy resources pricing transparency;

10. Standards of top-management responsibility for information inadequacy.

4. Transition to Single Global Currency

The stumbling-stone of the crisis period was the problem of single global currency. In fact, it has sharpened in response to blaming nearly all misfortunes on the dollar. In particular, it is vastly believed that the US dollar dictates US interests on the markets of different countries, especially the developing ones. The experts, who consider unlimited emission and enormous surplus of the dollar among major reasons behind the modern crisis, also believe that it can be analogically used as a means of crisis overcoming.

In 1974, the UN General Assembly in the «Program of action on the establishment of a new international economic order» reaffirmed its commitment to use all effort to conduct reform of the international monetary system. The primary objective is to remove its volatility, «especially the volatility of exchange rates because it negatively affects trade in raw materials; to maintain the real value of developing countries' currency reserves, by preventing them from erosion due to inflation and devaluation of key reserve currencies» [12].

Today we need to reconsider our past and use our experience to solve current problems. Besides, in view of the need to strengthen the role of supranational institutions and expand the system of international financial standards, we logically come to a question of single global currency, which would be able to serve both national and global needs of economic development. World economy is no longer a collection of national economies; it grew into an integrated megasystem, which requires its own functioning mechanisms, the main of them being probably the introduction of a single currency.

Nowadays, there are numerous suggestions on creation of single currency. Discussion of them has especially activated due to a crisis. However, the issue of discussion is mostly reserve currency. Dominique Stross-Kan, Managing Director of the IMF, believes that this statement has its right to exist, but it will take many months to make a decision on it [3]. Chzhou Sjaochuan, Head of National bank of China, declared that China suggested finding another reserve currency in place of the dollar. It was articulated as a need «create supranational reserve currency which would not be tied to separate countries and would remain stable in the long term» [3]. The official position of the Russian Federation consists in creation of a «supranational currency, emission of which will be carried out by international financial institutions» [11]. It should become element of a stable, predictable international monetary and financial system, which will function according to generally-known rules.

The contrary position is held by the USA, as represented by the President Barack Obama, the FRS Chairman Ben Bernanke, and Finance Minister Timothy Geythner. They believe that positions of the dollar are «very strong» and there is no need in single global reserve currency. Thus, the American leader states: «The dollar is very strong because investors acknowledge the USA as a country with the strongest economy and most stable political system in the world. I see no need in a new world currency» [3]. Professor of Berkeley University B. Eichengreen considers «the only thing that could result in death of the dollar is maladministration of the US economy. One of popular scenarios is chronic inflation. But it is impossible. When the episode with zero interest rates is over, the US FRS will confirm its commitment to price stability... Another scenario is loss of control over budget deficit. The prophecies of total default are far-fetched. However, large debt will mean high taxes» [19]. B. Eichengreen concludes the article with the words of Mark Twain: «The rumours about his death are greatly exaggerated».

The idea of single global currency is also the subject of research among Russian economists, whose positions do not agree as well. Thus, D. Panarin, Professor of the Diplomatic Academy of Russian Ministry of Foreign Affairs develops his idea of a «new global currency»; he named it «ACURE». Three currencies should become its base: the rubble, the Euro and the Asian currency «ACU», which yet needs to be created on the basis of the Chinese Yuan [10]. The contrary point of view is that the «emergence of new universal symbolic (as opposed to material gold) currency will result in subsequent virtualization of the financial market, whereas we need to move in the opposite direction» [7].

Therefore, the creation of supranational currency is a topical question. The question is whether there should be only one single currency, whether it should function as a reserve currency in parallel with national and common currencies. As for the second part of the question, this might not necessarily be the case. The function of reserve currency is carried out by Special Drawing Rights (SDR) of the International Monetary Fund. In the aspect of forming a new world economic order, it is important to solve the problem of creating a single supranational currency, a global currency, – such a monetary item that will circulate in both international settlements and nationally in cash and cashless forms. It means that the new currency should be recognized by each country of the world as national currency. The benefits of its introduction should receive both the countries of economic centre and the countries of economic periphery.

Development of the single global currency can be based on the theory and practice of introducing regional currencies. The most successful among them is the Euro which functions as an alternative to the dollar, fully replacing national currencies in 16 countries. In connection to this, we need to look at the theories used for development and functioning of collective currencies: their value indisputably goes beyond the scope of separate groups of countries. We should remind ourselves that in the early 1960s, when the Nobel Prize winner R. Mundell came forward with the theory of optimum currency areas, the existence of national currencies was considered as axiom. The very hypothesis of R. Mundell about the feasibility of giving up monetary sovereignty in favour of common currency for a certain number of regions seemed to only be of academic interest.

The creation of currency areas during the last decades of the 20th century has confirmed economic benefits of a single currency arising from «lower trans-action costs of trade and less vagueness in relative prices» [24]. At that, what concerns attainment of full employment, labour markets often exhibit cases when a change in demand or another «asymmetric shock» requires that real wages in a specific region be reduced. In view of these situations, R. Mundell limited the currency zone to a region, where the propensity of labour force to migration is high enough to provide full employment in case of asymmetric shock occurring in one of regions. The new conditions, inherent in the world economy of the 21st century, provide for global movement of labour that can be limited only by restrictions implemented by national governments. If this obstacle is removed, the entire world economy can be regarded as one region, which can function according to the model of a currency area, which provides grounds for the development of single global currency.

Obviously, introduction of single global currency requires fulfilling of other terms. First of all, it is necessary to create environment for expansion of capital movement and to elaborate principles for adjustment of international and national fiscal systems, subsidies and assistance. The effects of moving to single global currency will show themselves in the revival of international trade, equalization of factors prices, and finally, evening out economic development.

Additional problems connected with introduction of single global currency include large differences in economic development indicators, willingness of all national governments to follow the terms of monetary stability. First of all, it will be necessary to overcome the opposition of the USA, which believes in the satisfactory state of its economy and remains largely interested in preserving the dollar's position as international reserve currency. Contrary to the US position, it is necessary to «persuade» global business community, which in the times of global chaos and instability demonstrates readiness for radical changes, to support the implementation of global independent single currency.

Two to three years ago, the introduction of single global currency has been considered economic romanticism. However, the world economic and financial crisis forces nations and their governments to search for new, more effective ways of development. That is why current conditions make such changes more realistic than before. The psychological readiness for practical work on introduction of single currency is also growing, especially in developing countries. Let us refer to G. Fetisov, member-correspondent of the Russian Academy of Sciences, who suggests using SDR for international settlements on trade and investment operations, turning it into full-fledged currency. The current SDR basket should be expanded for the account of the G20 countries. The mechanism of using SDR as a currency should include a Central bank with the Federal Reserve System's functions of monetary emission. Central banks of the G20 should have the role of regional banks [16].

Unfortunately, these suggestions are only half-measures, because this model does not define the role of other currencies used in international settlements. «Hardly will the USA or the countries of the Euro-area agree to immediately give up the dollar and Euro's role of the means of international settlements and the leading reserve currencies», admits G. Fetisov. «That is why the introduction of SDR currency should be voluntary, on the principles of equality of all IMF members, and by fully securing SDR with liquid assets. Transition economies, petroleum-exporting countries and other countries that suffer largest losses from exchange rate volatility, are the ones having the major interest» [16: 41].

Evidently, in spite of the global scale of the issue, the real attempts to replace existent currencies in international settlements do not go beyond suggestions of creating yet another currency (on the basis of the few existing ones) that in fact will circulate in parallel to key leading currencies. These suggestions are not backed by persuasive arguments in favour of fundamental changes in the system of international monetary and financial relations. However, if the objective is to achieve radical changes in the world economy, the monetary system needs to be fundamentally reformed as well. In order for this to be realized, the creation of the new currency should be recognized as one of major preconditions for the new international financial architecture, and only after that, the mechanism of transition to this single currency in all international settlements should be elaborated.

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