

THE INTERNATIONAL

MONETARY SYSTEM

HERBERT G. GRUBEL

THIRD EDITION



PENSIUM MODERN ECONOMICS TEXTS



The International Monetary System

Efficiency and Practical Alternatives

Herbert G. Grubel

Third edition

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The first part of this book contains a theoretical model of an efficient world monetary system. The determination of optimum levels of international reserve supplies and the propensity to make exchange rate changes are treated as parts of an interdependent system. In an efficient world monetary system, all the tools of adjustment are used to the point where a marginal increase in their use yields equal welfare losses when countries deal with external payments' imbalances.

In the second part of the book each of the major prototypes of international monetary order, flexible exchange rates, gold standard, gold exchange standard and centrally created reserves is analysed from three points of view. First, the theoretical prototype of the ideal system is laid out. Second, the actual history of the system's operation is reviewed and contrasted in the theoretical blueprint. Third, the advantages and disadvantages of the system in theory and in practice are examined.

This third edition includes new material, taking into account events since the breakdown of the dollar-gold exchange standard in the late 1960s as well as theoretical developments in recent years, especially the theory of the optimum stability of exchange rates.

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