Current Problems of the International Monetary System:
Three Analyses

I. General Introduction

By

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A panel on "Current Problems in International Finance," meeting at the present time, has a virtually unlimited smorgasbord from which to fill its plates — and food in ample quantity for everyone to fill a second or third plate if he or she so desires. One might well discuss, as a business economist, the possibility of bank failures and financial and monetary collapse that might be triggered by the opportunities offered to would-be-clever operators by the present unparalleled opportunities for speculation on interest rates and forward exchange rates. As a political economist, one might discuss the problem of Arab oil money, and particularly the power politics of arrangements for soft lending from more to less fortunate oil importing countries, as these involve the power positions of the United States, the European Economic Community, the World Bank and International Monetary Fund, and the Arab countries themselves. As an international institutionalist, one might discuss the market arrangements and guarantees necessary to lure the Arabs into the civilized world of high international finance and investment, as well as the characteristics of an international monetary system that might be shock-proof against further exercises in the organization of cartels to exploit collective monopoly power in key raw materials. As an international monetary theorist, pure and perhaps also naive, one might consider what changes need to be made in the theory of floating exchange rates now that, for the

first time — historically unique, with the exception of the period between the First World War and the restoration of the gold standard, and the early years of the depression-ravaged 1930's — we actually have an operating system of generally floating exchange rates to look at (though one must not forget the *caveat* once expressed by a Canadian economist in the succinct statement: "the exchange rate is floating in the same sense as a virgin on a blind date").

The three discussions presented here are designed to concentrate on international monetary issues likely to be of particular interest to European bankers and monetary experts. They are concerned respectively with the future of floating rates, aspects of oil and international financial markets, and the prospects and conditions for a European monetary integration.