AMERICAN JOURNALS
Open Access, Peer Reviewed Journals
American Journal of Business Management, Economics and Banking
ISSN (E): 2832-8078 Volume 11, | April, 2023

ANALYSIS OF THE DEVELOPMENT OF THE WORLD MONETARY SYSTEM IN THE PERIOD AFTER THE COVID -19 PANDEMIC

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ABSTRACT	KEYWORDS
The article presents the prospects for the development of the world economy, factors contributing to the transition of the international, regional and national currency systems to a new stage. The basic limitations of the process of development of the global monetary system in post-COVID conditions (COVID -19 pandemic) are described.	currency system, monetary policy, analysis and forecasts, crisis.

Introduction

The rollout of the COVID-19 pandemic in Central Asia in early 2020, starting in Central Asia, caused massive social and economic disruption in the region, which at the time was still recovering from the 2008-2009 global financial crisis and 2014-2014 commodity price shocks. 2015 years. Economic performance in the aftermath of these shocks showed that the economic and cyclical growth trajectories that characterized most countries in the region before the pandemic began to recede: slowing trend GDP growth, slowing productivity growth, worsening inequality, and slowing convergence with OECD countries and the EU (OECD , 2020). The reduction in the growth potential of mineral resources, especially hydrocarbon production, has also affected countries that are not large exporters of fuels and metals, such as Kyrgyzstan and Tajikistan. For years they have exported surplus labor and received large remittances in return. Under the new conditions, their economic well-being and stability have become highly dependent on the state of the labor market in their richer neighbors, especially in Russia and, to some extent, in Kazakhstan.

Thus, when the COVID-19 pandemic hit the region, the countries of Central Asia were already trying to regain momentum and lay the foundations for new growth patterns. First through trade routes, and then due to the emergence of the virus itself. Thus, the countries of Central Asia were particularly vulnerable to the pandemic and its shocks due to their underlying structural weaknesses. Containment measures in most countries have meant closing businesses, restricting movement and temporarily closing borders. However, the impact on the regional economy has been particularly strong due to trade disruptions, weak global demand for energy and commodities, and travel restrictions that have played a major role in regional growth. The situation is complicated by the fact that its recovery largely depends on factors beyond the control of regional governments. Central Asia may be geographically remote, but its economic growth is closely linked to demand from many external demand centers around the world (Figure 1).

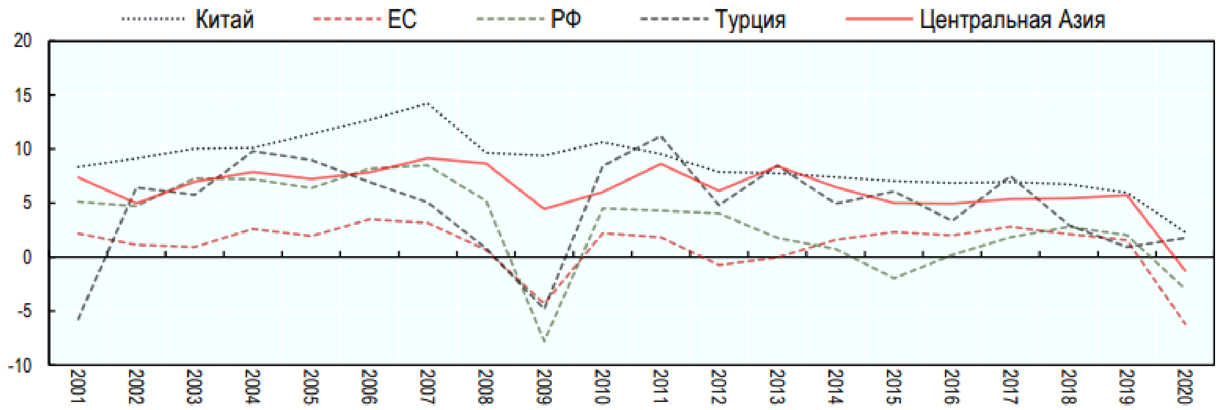

Fig.1. Real GDP Growth in Central Asia and Key Regions[1]

So when the financial crisis of 2008 rocked the global financial system, the authorities took drastic steps to stabilize the financial system. In the US, the epicenter of the crisis, liquidity was boosted significantly by massive quantitative easing and currency swaps between central banks, in addition to government bailouts of crisis-hit banks. The legitimacy of the international monetary system has been strengthened by expanding the decision-making process from the G7 to the G20.
The next step, of course, was regulatory reform to prevent future crises. To this end, more powers have been delegated to the Financial Stability Board (FSB), the international body that defines and recommends strong regulatory and supervisory measures for the financial sector. For example, the FSB is pushing for higher capital and liquidity requirements for banks and limiting overall leverage ratios.
Central banks around the world have become the first line of defense, taking steps to keep the global financial system and global economy stable. First, they have liberalized their monetary policy significantly, cutting interest rates to record lows in advanced economies. Half of emerging market and low-income central banks have also cut their interest rates. The impact of lower interest rates will be reinforced by central bank advice on the future monetary policy trajectory and an expansion of asset purchase programs.
Second, central banks have provided additional liquidity to the financial system, for example through open market operations.
Third, a number of central banks have agreed to provide US dollar liquidity through swap-based credit lines.
Finally, central banks have revived the programs used during the global financial crisis, and also launched a series of new large-scale programs, including the purchase of risky assets such as corporate bonds. By entering these markets as a "buyer of last resort" and helping limit upward pressure on the cost of credit, central banks help households and businesses maintain access to affordable credit (Figure 2). To date, central banks have announced plans to provide at least $6 trillion in liquidity,

[1]World Bank, 2021

including loans and asset purchases, and have indicated their intention to take more extensive action if circumstances warrant.

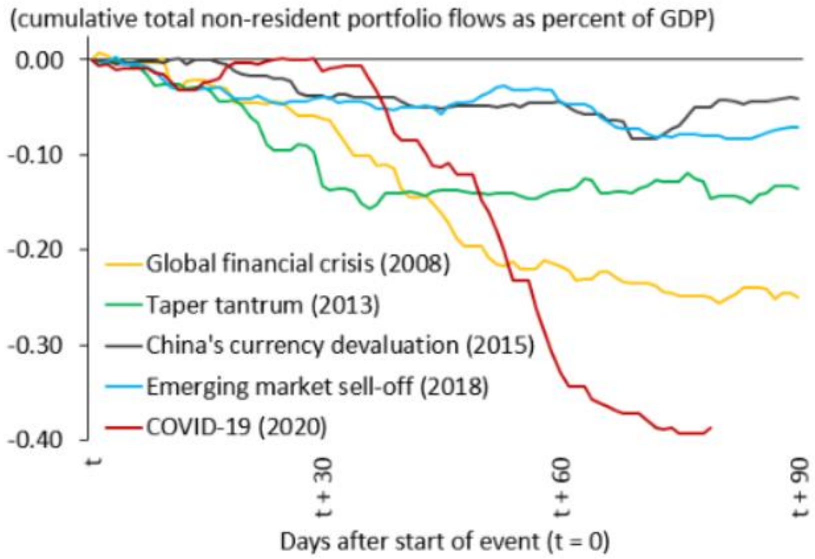

Fig.2. Unprecedented portfolio outflows in both size and speed (cumulative total portfolio flows of non-residents as a percentage of GDP)[2]

Investor sentiment has stabilized in recent weeks as a result of these measures to contain the post-pandemic downturn. Tensions in some markets have eased somewhat, and risk asset prices have rebounded from the recent decline. However, investor sentiment remains fragile and the global financial environment remains much tighter than at the beginning of the year.

However, a number of important reforms, such as the FSB's attempt to extend supervision to non-bank financial intermediaries, are thwarted by opposition from the financial community. In addition, in the US, the strict regulatory regime that was put in place after the crisis has since been eased.

Meanwhile, the massive monetary easing that supported the global economy has created new risks. Long-term ultra-low interest rates encouraged short-term speculation without boosting long-term productivity. Between 2000 and 2020, total asset values have tripled and global financial assets and liabilities have doubled in value compared to real assets, according to the McKinsey Global Institute. At the same time, the financial sector and wealth ownership are becoming increasingly concentrated.

Today, a new series of shocks (pandemics, rising inflation and interest rates, the situation in Ukraine) threaten to trigger new shocks. The Intergovernmental Group of 24 on International Monetary Affairs and Development has identified developing countries' debt-servicing difficulties, rising inequality, rising inflation and heightened risks to financial stability as pressing issues.

Attempts to address these pressing issues have been mostly semi-serious. For example, in August last year, the IMF approved a $650 billion general special drawing right (SDR: Fund's Reserve Assets). This greatly expanded the resources of the IMF, while the demand for funds increased sharply.

The US dollar-based system undoubtedly worked well during the largely peaceful post-war period and during the tense Cold War era, promoting globalization, trade, finance, and overall economic growth. However, it was not designed to address the complex challenges of climate change, pandemics, rapid technological change, rising inequality and long-term demographic change.

[2]Bloomberg Finance L.P.; EPFR Global; Haver Analytics; Institute of International Finance; and IMF staff calculations

The world was promised a neutral international monetary system, guaranteed by a stable reserve currency issued by the world's hegemonic states. However, when the sanctions turned the US dollar into a weapon, it became clear that the current system was far from neutral.

Moreover, the US is no longer the world's hegemonic power. Now the world order seems destined to split into two blocs, each with its own security structures, production chains, technologies and financial systems. In any case, if the currency of any one country begins to function as a global currency, there will be at least six types of instability: environmental, economic, social, financial, political and ideological.

To create a more stable international monetary system, a transition to a truly global currency is needed: the SDR is the most obvious candidate, endorsed by the 2011 Palais Royal initiative. However, the United States, which has the most influence on the IMF, will not agree to the transformation of the IMF into a quasi-central bank with supranational currency issuing powers, as this would undermine the "exorbitant privileges" of the United States.

Even if there is no national currency to replace the dollar in the foreseeable future, ways to reduce the dominance of the dollar as a means of payment and savings include, firstly, the creation and expansion of digital currencies and, secondly, non-dollar payment systems (replacing Fedwire, SWIFT , Euroclear , etc.).