Abstract

In this paper we review the key facts in the history of the International Monetary System in the 20th century to analyze the stability of what some authors have called "Bretton Woods II", which describes the current fixed-exchange rate and export-led growth model of some Asian countries, including China. Our analysis shows that despite some important resemblances, there are also major differences that may be misleading between the current system and the one in the 50s and 60s. What data tells is sometimes different to the "conventional wisdom" in the issue, especially regarding the role of China in the U.S. trade deficit in merchandise. The current system seems to be stable as long as the United States decides to continue playing its role as center country, anchoring inflation expectations. Additionally, we explore what would happen were the current system to collapse. We dismiss the possibility of the Yen or Yuan becoming the center currency in an Asian Monetary Union similar to the European EMU in the 80s and conclude that were the current system to finish, its fall would be follow by an increase in exchange rate volatility and inflation. In this case, the Euro could take the baton as new international money, something that is quite improbable otherwise.

Keywords: **Dollar standard, optimal currency areas, exchange rates.**