

Short-Term Effects:

Advantages and opportunities:

- An incremental approach for SDR is possible!
- Global by construction – not bound to particular currency.
- The IMF appears to be more powerful than a couple of years ago.
- Abolishing money illusion existing in the current system.
- Rest of the world would not be forced to finance deficits of global most powerful nation.
- Making clear that economies are interrelated.
- Zhou's proposal is vague.
- Triggering a discussion, not presenting the answer.
- No "3-body" problem.
- IMF full reserve money proposal would reduce speculative behavior and simplify regulations.
- Addressing the issues stemming from the dominance of a single currency.

Risks and dangers:

- SDR-to-Bancor transition could be very messy. That makes the whole system prone to failure.
- Opposition of the US.
- Zhou's proposal is vague.
- Relative price of commodities versus goods would assume critical importance for monetary policy. That's a really bad idea.
- SDR in current form, if it became big, would drastically reduce monetary sovereignty of nations.
- SDR is not the right vehicle. It is not international money.
- Linking it to commodities is not advisable. The target should be the current account (=all goods traded).
- Proposals would face opposition of strong lobbies and political interests.

Questions that need further research:

- How is the coupling to the real economy accomplished?
- Would a commodity-based currency reserve divert investment from more labor-intensive sectors of the economy?
- Is the transition to global currency really win-win for all?
- What is the potential loss for the financial lobby?
- How SDRs would deal with the issue of endogenous money?
- Who benefits, who loses? => How to form a coalition with political power? (Countries, Institutions).

- How do we model SDRs for evaluating variations?
- Which goals will (should) be met?
- What might be a possible transition path to a new system?
- Is analytical mon.-policy demanded or ec. growth?
- What are the interests of the main stakeholders?
- As the SDR system is less used over time => already irrelevant?
- Why are we talking about SDR? Why not the bancor?
- How should the issuing of SDRs be determined?
- Is it a good idea to use one instrument for targeting multiple goals?
- Who decides about composition of the “stable benchmark” and about change of rules in case of doubts? (democratic legitimation).
- Is a short term reform of the IMF internal/international balance of power realistic/will it help?
- Impact on price of carbon of inclusion in the basket.
- What steps would it take to implement IMF full reserve proposal? Do we need a major crisis to enforce such strong changes?
- Who runs the new institution?
- How to inform the general public and get legitimacy to implement proposals?

Long-Term Effects:

Advantages and opportunities:

- Understanding of two challenges: – Current Accounts. – Coupling.
- (More) stable exchange rates/commodity prices.
- Imposing adjustment cost on new trade balances also on surplus countries.
- Relieving pressure from single currencies.
- Countercyclical liquidity injection.
- Pro developing country bias?
- Supranational currency would fit to global economy not just the economy of the lead-currency.
- Gets rid of modern-day Triffin-Dilemma.
- Abolishing Triffin-Dilemma.
- Eliminating the dominant role of the US in international finance.
- More democracy between nations.
- Stable exchange rates.
- Bancor is a sound idea.

Risks and dangers:

- Unclear effects on commodity markets.
- There is a risk that the centralized political system that issues SDRs will favor certain political regimes and not others?
- No guarantee for transition path from now to long term.
- SDRs might give an incentive to risky behavior.
- Danger of less sovereignty (=condition for domestic democracy) within each nation.

Questions that need further research:

- Who would appoint the issuer?
- Show me the balance sheets.
- Geopolitical level: How to reach coordination?
- Who regulates what is in the basket of the commodity-linked bonds?
- Can use of SDRs create another bubble?
- If the currency is money (≠SDRs): Who gets the seigniorage?
- Does linking money to commodities help addressing current account imbalances?
- What about regional alternatives of SDR?
- How will a long-term solution interfere with the activities of the WB? -> reform of WB too?
- What has to happen in the US in order to facilitate a reform?
- (How) does this improve developing countries' competitiveness?
- Is it a good idea to couple oscillating systems?

- How to transit from here to Zhou's long-term vision?
- How SDRs could lead to a financial system that invests in sustainable development?
- How stable will a "stable" benchmark be?
- Do we need capital controls in the future?