CONCLUSION
We have found in all the monetary systems, for a country, foreign exchange reserves should play an important role to stabilize the value of the its currency. But this is not significantly true for the countries, whose currencies have a significant use as reserve currency or international money. So, in Gold Standard, though other countries had to keep sufficient monetary gold reserve, Britain could get away with a stable exchange rate without keeping large monetary gold reserve. This was true for the USA in Bretton Woods system also. They also could postpone their currency devaluation for a long period without having large foreign exchange reserve. Again US dollar was the reserve currency of this system. Even this situation persist in post Bretton Woods era also. The currency exchange rates of the developed world are not statistically significantly influenced by the change in reserves. Whereas, for developing countries, the exchange rates are statistically significantly influenced by the change in reserves. Hence, the developed countries need not be bothered for foreign exchange reserve to keep their exchange rate stable. Again, they can do this because of the greater use of their currency as international money.

This greater use as international money or reserve currency creates the expectation that this currency will be stable. And this expectation regarding stability makes it stable, and also encourages
its greater use as international money or reserve currency. It has also been seen that the countries, which have greater control over world trade and finance\(^1\), have currencies that are in greater use as an international money or reserve currency. Hence, the more economically powerful a country the less it needs to maintain foreign exchange reserves to back its currency. In short, the discipline imposed by the different monetary systems is asymmetrical - it imposes discipline of the economically weak, but shows leniency towards the economically strong countries. The international monetary system has changed over the last hundred years. But the asymmetries between the strong and the weak survive.

---

\(^1\) The dominance over world trade and finance also led to the political dominance of that country over the world. An example of it is interchange of dominance of the Britain and the USA in Gold Standard and BrettonWoods system.