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THE TRANSFORMING MONETARY FUNCTION OF GOLD IN THE MODERN GLOBAL CURRENCY SYSTEM

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ТРАНСФОРМАЦИЯ МОНЕТАРНОЙ ФУНКЦИИ ЗОЛОТА В СОВРЕМЕННОЙ МИРОВОЙ ВАЛЮТНОЙ СИСТЕМЕ

The process of gold demonetization fixed by the Jamaica Agreement is rather controversial, which has been confirmed by the 2008 financial crisis. This crisis can be considered a trigger for returning gold back to the world monetary system. With all these factors taken into account, it is necessary to review the status of gold in the modern currency system. That is why the subject of this paper is up-to-date and relevant to the current situation. The paper considers the modification of the gold's function, on the one hand, as a way to sort out the problems in the world monetary system; on the other hand, as a response to new gold market trends. In order to validate this hypothesis, the authors conducted a retrospective analysis of all available world monetary systems, and characterized the gold market using the principles of the systemic analysis. As a result, the authors found out the key trends of the gold market development, the main factors that determine a pricing trend in the post-crisis period. Revealing such potential instruments of using gold in the system of international payments and lending relations as "digital gold currencies", loans secured by gold, "gold loans", deposit interests paid in gold, the authors made a conclusion that gold keeps its function as a legal tender. The practice of quoting gold in USD has allowed to assume that gold still indirectly implements the function of account unit. The changing behavior of countries that are the owners of the main gold reserves, which now have now become gold buyers, and the aspiration of China, Russia and other developing countries to reallocate the world gold reserves confirm a new role of gold as global money. Thus, gold under circumstances of ongoing demonetization has actually gained the status of the most important international reserve asset. The above-stated conclusion is also supported by the decisions taken by IMF and other international organizations to regulate the gold market and to assign a new status to gold in the banking sector. The strengthening monetary functions of gold in the world currency system has brought back discussions about returning to the gold standard. This paper focuses on the arguments in favor of this proposal, and the factors impeding this process in modern conditions. However, the monetary functions of gold in the world currency system should stay a topic for debate, because the results of the study can be used for searching for effective ways to improve the world monetary system in order to make it more stable in the highly volatile global economy.

GOLD; WORLD GOLD MARKET; GOLD PRICE; GOLD RESERVE; GOLD MARKET TRENDS; GLOBAL CURRENCY SYSTEM; DEMAND AND SUPPLY; MONETARY FUNCTION OF GOLD; GOLD STANDARD.

Процесс демонетизации золота, закрепленный Ямайскими соглашениями, протекал и протекает противоречиво, что еще раз продемонстрировал финансово-экономический кризис 2008 г., создавший предпосылки для более активного возвращения золота в мировую валютную систему. С учетом этих факторов возникает объективная необходимость и актуальность пересмотра роли золота в современной валютной системе. Модификация роли золота рассмотрено, с одной стороны, как способ разрешения противоречий, возникающих в мировой валютной системе, а другой — как ответ на новые тенденции развития рынка золота. Для обоснования данной гипотезы проведен ретроспективный анализ всех существовавших мировых валютных систем и на основе принципов системного анализа охарактеризован рынок золота. Выявлены основные тенденции его развития, основные факторы, определяющие ценовой тренд в посткризисный период. Выявление таких перспективных инструментов применения золота в системе международных расчетов и кредитно-финансовых отношениях, как «цифровых золотых валют», кредитов под залог золота, выдачи «золотых кредитов», оплаты золотом процентов по депозитам, позволило сделать вывод о сохранении золотом функций средства обращения и средства платежа. Сложившаяся практика котировки золота в американских долларах – свидетельство того, что косвенно золото выполняет и функцию меры стоимости. Смена модели поведения стран, являющихся основными владельцами золотого запаса в мире и ставших сегодня покупателями золота, стремление Китая, России и других развивающихся стран к перераспределению мирового золотого запаса свидетельствуют о новой роли золота как мировых денег. Таким образом, золото в условиях сохраняющейся демонетизации фактически уже приобрело статус важнейшего международного резервного актива. Этот вывод подтверждается, в том числе, и решениями, которые принимаются Международным валютным фондом и другими международными организациями по регулированию рынка золота и закреплению нового статуса золота в банковской сфере. Усиление монетарных функций золота в мировой валютной системе сделало одним из главных дискуссионных вопросов предложение о возврате к золотому стандарту. Подробно рассмотрены аргументы в пользу данного предложения, а также факторы, которые не позволяют реализовать этот процесс в современных условиях. Тем не менее, монетарные функции золота в мировой валютной системе должны оставаться темой для обсуждения, а результаты проводимых исследований могут быть использованы для поиска эффективных направлений совершенствования мировой валютной системы в целях повышения ее стабильности в условиях высокой волатильности развития мировой экономики.

ЗОЛОТО; МИРОВОЙ РЫНОК ЗОЛОТА; ЦЕНА ЗОЛОТА; ЗОЛОТОЙ РЕЗЕРВ; ТЕНДЕНЦИИ РАЗВИТИЯ РЫНКА ЗОЛОТА; МИРОВАЯ ВАЛЮТНАЯ СИСТЕМА; СПРОС И ПРЕДЛОЖЕНИЕ; МОНЕТАРНАЯ ФУНКЦИЯ ДЕНЕГ; ЗОЛОТОЙ СТАНДАРТ.

The economic and geopolitical situation in the world is still a source of instability and uncertainty for the global currency system. Today the economic community tends to work out new operational principles for the world's financial system and to find new instruments for stabilizing it. However, history repeats itself. Therefore, discussions focus on gold as a monetary metal. As usual, when the global currency system faces serious challenges, the function and the status of gold in the international monetary relations has to be scrutinized. That is the reason why the problem raised in this paper is very important.

The purpose of this paper is to analyze the current state of the gold market and to identify the forms for modifying the function of gold in the conditions of world's economy fluctuations.

The present study is expected to solve the following tasks:

– to determine the main development trends for the gold market after the global economic crisis of 2008;

– to explain the relationship between banking operations on the gold market and the modification of gold's monetary functions;

– to study the application of "digital gold currencies" in international financial transactions and to identify their structural and functional features;

– to assess the proposals for introducing the elements of the gold standard into the world monetary system for stabilizing it.

For a long period of time the evolution of the global monetary system has been based on gold. At early stages of the evolution gold was used as the global legal tender and considered to be a single reserve asset. The Jamaica monetary system, which is used in today's reality, was ratified by the agreement on the Demonetization of Gold in 1978, which was approved by most IMF (International Monetary Fund) member countries. This agreement allowed switching from the gold-exchange standard to the monetary standard. This agreement cancelled the official value of gold and gold parities of national currencies. Thus gold lost its function of value unit, it stopped being the foundation for setting exchange rates and product prices.

Afterwards, gold was excluded from the sphere of international payments, including the gold payment of state quotas for the IMF. At that time the IMF granted a sixth part of its gold reserve to member-countries, which paid the IMF with their national currencies. According to the agreement, banknotes could not be converted into gold. The gold thus lost its function of the global means of payment, giving way to reserve currencies and the collective currency of the IMF (SDR). Legally, the demonetization of gold was finished, and countries obtained the right to choose any regime of exchange rate.

Formally, the world market of gold became free from state intervention. In addition, having lost its monetary functions, gold turned into a precious metal which can be sold in the market. Today's market of gold is a cluster of external and internal markets that ensure a constant gold trade and gold-related financial instruments.

Modern gold markets accumulate the demand and supply of this metal, and trade it at a market price. The structure of the world gold market is based on the following major sources: forming demand (household and industrial consumption); investment and hoarding demand; speculative deals, purchase of gold by central banks to increase their gold currency reserves. The main element of the fabrication demand is from the jewelry industry. Major industrial groups of gold customers are electronics, aerospace industry, military engineering, medicine, etc. Today the main contribution to the aggregate demand for gold is made by investment and hoarding demands. Gold is a reliable and liquid asset for financial safe-keeping on behalf of investors into prospective financial assets and hoarding investors, who save money for a rainy day.

When it comes to the supply structure of the world gold market, it has the following basic components: extraction of primary gold, secondary gold (metal recycling); gold hoarding (sale of gold from government reserves). The dominating part of the gold market is supplied by the gold extraction industry which includes gold mining and refinery.

The world gold price results from pricing on specialized sites and financial markets. Today the dynamics of the world gold prices are determined by contradictory trends. After reaching the price minimum in April 2001, gold prices had been growing for 12 years. The peak price of gold was reached in 2011: $ 1923.7 per ounce. The market had never seen similar dynamics for any other asset. In 2012 the situation dramatically changed, and 2015 was the third year of a falling market trend. The average gold price in the first half of 2015 amounted to approximately $ 1187 per ounce with the peak price of $ 1300 per ounce in February, then reaching its 5-year minimum of $ 1076 per ounce in July [19, p. 152]. Table presents the dynamics of .

Gold Price Dynamics, USD:
% of the annual change [9]

Year	2011	2012	2013	2014	2015
Annual change, %	10.1	7.0	−28.3	−1.5	−10.4

Experts point out several reasons for the decrease in world gold prices: structural changes in the demand for gold in favor of the investment one; active manipulation of gold prices on behalf of Western monetary authorities through investment banks; significant revaluation of gold prices, leading to the activation of speculators [10, p. 2]. Some experts expect gold prices to level off gradually, then potentially turning into steady growth. Thus, in the first quarter of 2016 the price rose to $ 1182 per ounce [9].

Taking into account all of the above, we can conclude that it is getting increasingly difficult to analyze the situation on the gold market, compared to any previous, even favorable, period.

Thus, gold demonetization led to the extension of gold usage. All over the world gold is used as a raw material, financial asset (in bars and coins), basic asset (in securities), financial instrument. This fact is proved by all economists.

The controversy lies in the issue of whether gold will remain monetary or not. For instance, Bunkina and Semenova state that gold is only a commodity of high luquidity in the modern monetary system, used for industrial and investment purposes [2, 3].

Their opponents are Krasavina, Smyslov, Bylinyak, Anikin and others who believe that gold still implements monetary functions, but in a modified form [1, 4, 16].

In our opinion, the second view reflects more accurately the status of gold in the modern monetary system.

Firstly, after its demonetization gold formally ceased to fulfil its functions as a unit of account. Prices of all goods in international economic transactions are expressed in USD or euro. Besides, a market price of gold itself is historically quoted in dollars. Therefore, any fluctuations of the dollar affect the gold price. It implies that an increase in the gold price can be considered not only a factor in making this precious metal more expensive, but as the devaluation of the currency it is pegged to. In particular, Stadnichenko claimed that the gold market is responsible for the exchange of paper money into gold and vice versa. It determines whether paper money is in compliance with its parity. Developing this idea, Alferov and Navoy confirm it with statistics showing similar growth rates of gold quotations and money supply in USD [20, p. 55].

Secondly, gold is not formally used as a legal tender for international transactions. The evolution of the internet and telecommunications allowed using the so-called ''digital gold currencies' (DGC) for international payments. These currencies are secured by gold reserves and called private, as they are not emitted by governments. The unit of account for such a currency is ounce or a gram of gold.

Gold&Silver Reserve, Inc. was the first company to introduce the E-Gold international monetary system in 1996. The e-Bullion, Pecunix, GoldMoney, etc., are similar e-banking systems. Each of them can be used to transfer sums secured by an amount of physical gold. This feature makes the system effective for international payments, as user accounts are not pegged to any national currency. Using digital gold, it is possible to participate in online auctions and trades, e.g., E-bay, to do e-commerce, to pay services, to participate in charity, to invest into various profitable projects. DGC is popular, because it is secured by real values and protected against inflation, deflation, errors of monetary authorities; it is not pegged to national currencies, it has low operational costs and guarantees fast payments, high liquidity, etc.

However, using DGC, the same as using other currencies, has its own risks. All of them are caused by a lack of international regulation. The emission of e-money and its profitability are secured by only the emitent, not by the state. It leads to the fact that it is inadvisable to use DGC for major payments, and also for accumulating large sums within a long-term period. There is also a serious risk of losing e-data, because DGC is stored in electronic form, and fully depends on reliability of storage and control over the information transfer. Therefore, DGC security depends on both the security of providers and the security of account-holder's computer. In 2002 the Global Digital Currency Association (GDCA) was established. It united all currency operators and various users, expanding the area of DGC usage by finding solutions for correcting errors made by the companies emitting e-gold. GDCA exemplifies a self-regulation attempt of the e-gold industry.

Russia passed the Federal law No. 161-FZ 'On the National Monetary System' on June 27, 2011. This law granted a legitimate status to e-money, making it equal to other legal tenders. However, e-banking systems pegged to the gold price are not still available in Russia [6].

In our opinion, DGC could become one of the main monetary forms, provided an effective institutional ground and higher information security are ensured by governments for the DGC market. This will allow gold not only to reclaim its monetary functions, but to work as a unit of account.

Thirdly, the function of money as a legal tender stimulated the transition to credit money, which subsequently replaced gold in currency circulation channels. However, gold still keeps this function today in currency and financial relations. Nowadays, there is a practice of allowing loans to banks on security of gold, allowing 'gold credits', deposit interest payments with gold.

The demand for gold abroad is usually shown by specialized branches, primarily, the gold-mining industry. They can be used to develop the industry itself, because the gold content in the rocks is decreasing as the most profitable deposits are being depleted. It is one of the reasons for the increasing cost of the production of gold. On the other hand, gold-miners can be interested in gold loans with respect to hedging, since these loans can help fix the price of precious metals in case of its reduction. The most profitable period of loan transactions in gold for gold-mining companies is a rise in the prices of the precious metal, which gives them the opportunity to sell the metal that has not been extracted yet at a higher price. Gold loans for commercial banks are an additional income source.

Currently, one of the most in-demand transactions is allowance of loans by banks on security of gold. The implementation of this transaction requires commercial banks to carry out an expert check of the gold, accept it in deposits, and guarantee safety during the concluded transaction.

The Central Bank of the Russian Federation introduced a credit facility for banks on security of gold in post-crisis 2011. At that time banks received only 19 million rubles of loans. But as early as in 2012, the figures dramatically rose to 2.15 billion rubles at once. In 2013 and 2014, loan rates on security of gold were slightly lower than in 2012, amounting to 2.1 billion and 2 billion rubles respectively. But it is logical, since before the start of the crisis in 2014 banks mostly borrowed money from the Central Bank within the framework of more popular repos (loans against securities) and credits against non-marketable assets (including bills and guarantees of other banks). Rates of liquidity there, provided by the Central Bank, are measured in trillions. According to the latestdata of the Central Bank, as of December 1, 2014, the contract with it on the allowance of loans on security of gold was signed by 42 Russian banks, the names of which are not revealed on its website [13].

The growing acceptance of gold as a pledge in regulated markets, on the one hand, and the global financial crisis of 2008, on the other hand, made international organizations regulating the worlds largest financial organizations reconsider the role of gold in the banking sector. For instance, the Basel Committee on Banking Supervision introduced a new document, Basel III, which pays a great deal of attention to gold as a bank asset. The Committee was established at the Bank for International Settlements in Basel by the heads of central banks from ten countries (G10) at the end of 1974 to develop general international rules in the banking supervision sector after breaking the balance in international banking and foreign exchange markets, caused by the bankruptcy of the Herstatt bank in Western Germany. The proposals of Basel III were approved at the G20 Summit in November, 2010 [15].

According to this document, gold is transferred to the banking capital of tier-1 at 100 % price and banks get the opportunity to replace their paper assets (mostly U.S. Treasury bonds) with this metal. According to the previous Basel standards, equity capital of high quality was only cash money (which belongs to the legal tender category in all countries) and government debt securities (primarily, bonds of treasuries and bonds of the U.S. Treasury). Switzerland is promoting a project introducing a parallel currency inside the country in the form of the golden frank.

Thus, gold can be used more widely to pay off bank obligations and to turn into a highly liquid financial asset. Ben Bernanke, Chairman of the U.S. Federal Reserve, did not agree with the growing importance of gold in forming equity capitals of banks and noted again that gold is not the best kind of money. Bernanke's motives are unclear but it is hard to deny that new solutions of Basel III are a threat to the U.S. dollar and the American economy. Apparently, that explains the refusal of the USA and its allies in Europe to start the transition to the new standard of forming equity capitals of banks.

The Basel III project, in our view, demonstrates increased attention to gold as a monetary metal. Thus, gold is still used in international lending transactions.

Also, today there are tendencies in monetary and financial relationships which can be considered to be a return of gold to the global currency system. And again, these tendencies are connected with the financial and economic crisis of 2008. It revealed a number of global problems which are not solved yet and, consequently, create all the prerequisites for volatility of the global currency system and economy [10]. They can include retention of innovations on the financial market and uncontrolled use of derivative financial instruments in particular; imperfection of the flexible exchange rates and their volatility; absence of a regulating global financial regime that could keep the role of international financial markets as an independent regulator of the world's economy; the increase in the USA's national debt as a result of the policy stimulating composite demand that is highly likely to weaken, which creates risks for holders of this value all over the world, etc. The problem of maintaining international liquidity was also acute during the crisis. International banks suddenly faced the scarcity of dollars. Firms started hoarding liquidity. In these circumstances, public sector liquidity replaced private sector liquidity. Thus, the role of gold and forex reserves became more important.

Apart from reserve currencies, special drawing rights, and reserve assets in IMF, gold and forex reserves include the gold reserve of a country. This official gold reserve is stored in the form of bars or coins in the Central Bank and state financial institutions or in international monetary financial organizations. Its purpose is to mobilize international payment instruments by selling gold for foreign currency and using it as a pledge to get foreign loans.

The formation of the gold reserve of a country has been long influenced by the IMF position, secured with the Jamaica Agreement, a relatively low price of gold, the reign of the U.S. dollar in the global currency system, the wish of the European countries to diversify their gold and forex reserves after excluding gold from the world money. It explains the behavior of central banks in the gold market in the 1980–1990s. The majority of them were net sellers. In the last few years, due to the global economic crisis, the behavior of the central banks in the gold market has started to change. From net sellers they became net buyers. In 2012, 12 % of the global composite demand for gold accounted for central banks (10 % in 2011), they bought 534.6 tons of the metal in the market. Overall, by the end of 2012, according to IMF estimations, almost 31.6 thousand tons of gold were stored in central banks [8]. The demand for gold remained high even in 2013, when gold prices fell due to the implementation of the quantitative easing program by the U.S. Federal Reserve System. However, in spite of expectations of analysts, central banks did not sell gold from their reserves. On the contrary, despite the decrease by 32 % central banks remained stable buyers of gold. Net purchases of 409 tons of gold were documented in 2013. It is about one fifth of all the gold that was ever extracted in the modern history of mankind [11]. The tendency of central banks to buy gold is still present, according to the World Gold Council (WGC).

Despite the fact that not only developed but also developing countries actively participate in buying gold, the greater part of the official reserves is, however, concentrated in developed countries and international monetary organizations.

According to the World Gold Council, by January, 2016 the USA had the largest gold reserve. It accounted for 8 133.5 tons. Germany holds the second place. Its reserve accounted for 3381 tons. The third place is held not by a state but the International Monetary Fund, the amount of its gold is 2814 tons. The fourth place is taken by Italy (2451 tons). The fifth place is held by France with the gold reserve of 2435 tons. The sixth place is taken by the rapidly developing China. The amount of gold in its state depositories amounted to 1658.1 tons. The seventh place is held by Russia. Within just 15 years, the gold reserve of the country increased from 384.4 to 1275 tons. It is an incredible growth rate in figures, which was shown only by China. This tendency indicates an obvious strengthening of Russia on the global economic arena. The parts of gold in the total supply of international reserves are 73.3 % in the USA, 67.4 % in Germany, 65.7 % in Italy, and 60.7 % in France [14]. Thus, the main emitents of reserve currencies store a significant part of their gold and forex reserves in gold. Perhaps, this distribution reveals the ‘hidden’ securement of their currency emission.

Another new tendency in the global currency system, confirming the enhanced role of gold, became the recovery of gold assets by central banks from depositaries in other central banks, undertaken by Venezuela and Germany.

When estimating the role of gold as world money, it is not possible to forget that the European Monetary System (EMS) is based on partial use of gold in the transactions between central banks and European monetary institutions. In 1998, 20 % of gold reserves of the EMS member countries served as partial securing of the ecu issue and since 1999 of the euro issue.

There are numerous reasons for the changing role of central banks in the gold market. Let us list some of them.

1. Increased volatility of exchange rates, an increasing level of currency and credit risks, connected with debt crisis in Europe, caused a growing demand of central banks for diversification of their official reserve assets.

2. Reserve currencies today are just symbols of value, secured with trust of investors. When this trust is undermined due to sometimes unreasoned decisions of monetary authorities, their purchasing power starts to drop. Under such conditions, only gold, which has an intrinsic value, becomes the full-fledged form for storing national savings.

3. Unfortunately, the application of economic sanctions and freeze of economic assets are signs

of today's global economic development. The increasing share of gold in the gold and forex reserves ensures political safety under conditions of some countries applying sanctions.

4.Gold gives central banks an opportunity to manage a portfolio of gold and forex reserves, choosing less risky operations with small returns. The most common operations are swap operations, loans with gold (gold lease), and deposit operations. Central banks use their gold reserves not only to enlarge revenues but also as pledged assets, which can be transferred to other states when getting a loan or purchasing goods; as a source of repayment of external public debts; as a tool for import operations; as a reserve fund for buying foreign currency in case of urgent necessity; as a resource for financing deficit of payment and trade balances or overcoming default.

Thus, the main role of the gold reserve practically has not changed: gold, remaining a highly liquid asset in reserves of a state, can be mobilized in case of a crisis and used to settle necessary accounts. For this very reason, gold reserves of many countries keep being replenished under conditions of increased volatility of global economic and currency systems. As a result, Krasavina states, the future of gold will depend on how international monetary organizations resolve today's contradiction between gold being officially expelled from the Jamaica Monetary System and its actual use as an international reserve asset [18, p. 36]. To estimate the prospects of gold in the reforming global currency system, it is necessary to take into account the current Washington Agreement on Gold, which is revised every 5 years.

In September, 1999, an agreement was signed in Washington between 17 central banks, including the European Central Bank (ECB), on sales of gold for a period of five years. It subsequently got the name 'The First Washington Agreement on Gold'. It was officially stated that this agreement had a purpose of restraining sales of the yellow metal by central banks in order not to bring the gold market down. The limits of sales were set for certain countries and 2 thousand tons of the metal were planned to be sold on the market. In September, 2004, the agreement was renewed with new norms of sales set for certain members. It became 'The Second Washington Agreement on Gold'. Finally, in September, 2009, 'The Third Washington Agreement on Gold' emerged. However, in 2009, at the height of the financial crisis, central banks turned into net buyers of gold. To stabilize the gold market, on May 9, 2014, the European Central Bank and 20 other central banks of Europe announced signing the fourth interbank agreement on gold. This agreement, which came into force on September 27, 2014, will be enforced for five years. The banks parties to the agreement commit themselves not to sell large amounts of gold.

To clarify the intentions towards their gold assets, the parties of the fourth agreement stated that gold remains an important element of the global monetary reserves. It is also noted in the agreement that they will keep coordinating their transactions with gold to avoid upsetting the markets and that currently they do not have plans of selling considerable amounts of gold. Thus, the agreement is supposed to protect markets from destabilization through actions of central banks with considerable gold reserves.

From a practical standpoint, the solution to this problem implies strengthening the legal framework regulating sales and transactions with gold of central banks and oriented at decreasing price volatility, since none of the central banks today are interested in sharp turnabout in prices on the gold market.

Today, private and corporate investors tend to accumulate gold as a medium for securing their wealth, to protect against inflation and currency fluctuations, to diversify their savings. Gold still attracts investors by its high liquidity and value. The object of investing can be gold bars of special size. These bars of gold are called banking or standard. They have a high value. Therefore, the general public prefers gold bullion bars, the weight of which is not specified.

During economic crises private investors tend to increase the demand for investment gold coins which replace an amount of their investment in foreign currencies. Thus, after the 2008 recession spending on such coins showed a sharp increase, which led to the rise in production, with new gold coin trading sites emerging. For instance, in May 2016 the Russian Trading System (RTS Board) launched Bullion Coins, a new sector of the over-the-counter (OTC) market. This sector is expected to unite sellers of investment and commemorative coins, credit and non-credit institutions, private investors. Earlier these instruments could be acquired only in banks or from private dealers. Trading objects on this market are over 200 series of investment and commemorative coins, classified according to Mints. They comprise all investment coins emitted by the Central Bank of Russia, including gold and silver coins 'Saint George the Victorious', gold coins 'Sochi 2014', etc. Additionally, the new section of the RTS Board also offers foreign coins, such as the American 'Buffalo', the Canadian 'Maple leaf', the Australian 'Kangaroo', the South African 'Krugerrand', the Austrian the 'Philharmonic', the Belarusian 'Slavyanka' and the Kazakh 'Tiger'.

Another form of investing in gold today is opening impersonalized metal bank accounts by private investors. These are similar to urgent deposits for physical entities. The only difference is that an amount of gold on these accounts is regulated.

Every form of investing in gold has its own advantages and disadvantages. As a whole, in our opinion, a variety of private investments in gold, which is offered by the monetary system, can ensure the monetary function of gold as a medium of accumulation in the conditions of unstable market and currency systems.

Finishing with monetary functions of gold, let us concentrate on another problem. During a long period of time, global financial and political crises give many scholars reason to promote the idea of return to the gold standard in the global currency system. Many well-known economists, including Nobel laureate and philosopher Friedrich von Hayek [5], Paul Fritz [12], Alan Greenspan [7], and others call for strengthening the role of gold in currency systems on national and global levels. Articles on this subject are still written even in the 21st century [17].

The strongest argument for the revival of the gold standard became the lost trust of investors in reserve currencies and primarily the U.S. dollar.

Certainly, return to the gold standard can ensure greater stability for the current global currency system. For example, banks will not be able to afford unpredicted risks because they will have to back a currency with gold to avoid bankruptcy. Supporters of the gold standard note that using it prevents inflation, because under the gold standard the government cannot implement currency emission that is not backed with gold. The gold standard contributes to levelling off trade balances and also ensures intensification of the world trade and capital mobility, decreases the volatility of currency rates.

Nevertheless, today the shift to new models of the gold standard faces a great number of difficulties. The main of them is that none of the unique commodities cannot function as world money in the context of developed world economy due to quantitative restrictions of this commodity and its uneven distribution among countries.

A country's money supply and monetary base change if necessary, thereby regulating macroeconomic processes. Under the gold standard, the supply of a national currency strictly depends on the amount of gold in the central bank reserves, and a corresponding additional gold supply is required to create new money, but the extraction of gold in the world is very limited. Therefore, any product standard will restrain economic development, causing economic and monetary crises. Moreover, there are problems of gold sales on the world market. Any attempts of selling a considerable amount of monetary gold lead to a fall in its prices and destabilize the market, reducing the value of gold reserves of a country. Also, the 'Gold Discipline' would impede any anti-crisis measures and involve more industries and countries into the crisis. The gold standard would turn out to be short-lived and under critical circumstances it would have to be abolished, which would increase the general economic instability.

Besides, under the conditions of constantly changing macroeconomic environment, volatility is also present in the gold market. It emerges due to economic crises, speculations, global instability, and other processes. Meanwhile, stability of the golden standard system greatly depends on the stability of gold prices. In other words, any change in the price of gold with respect to prices of commodities leads to inflation or deflation. For instance, if gold prices go up, the value of issued money increases as well and this causes deflation and a cut in the prices of commodities.

The gold standard does not always lead to decreasing disproportions of payments and trade balances. There are always countries with a surplus of current accounts of payment balance in the global currency system. They are not obliged to issue money when getting gold externally. They may continue to accumulate liquid gold reserves, especially while waiting for gold prices to rise. Most likely, it will result in a situation when gold reserves are mostly concentrated in countries with positive balance and the global currency system will collapse due to the absence of gold reserves in some states parties.

Finally, owning gold today becomes an object of tough competition between central banks of economically developed countries and of countries with developing market economies as well. However, the gold standard implies strictly following the general rules. It is unlikely that countries like the EU, the USA, Japan, and the BRICS countries will work alongside, sacrificing their economic development, because modern competition in the world trade is based not only on labor productivity, capital capacity of production, and scientific and technological superiority, but can be adjusted with undervaluation or overvaluation of the national currency exchange rates. At the time of financial difficulties, a country can slightly devaluate its currency by stimulating export, which provokes currency wars between the countries. Thus, the competition between countries is unlikely to allow introducing the gold standard.

Thus, in our view, the listed difficulties today will not allow considering the gold standard as a potential instrument for maintaining the stability of the global currency system.

Nevertheless, the role of gold in the global currency system should be strengthened. It is possible due to including gold into the SDR. Due to the negative correlation dependence of gold and the U.S. dollar, this step would allow stabilizing the SDR properties and enhance the role of gold in the global currency system.

The analysis, given in the paper, allows drawing the following conclusions.

1. Crisis upheavals of the world's economy were constantly initiating the occurrence and domination of the new function of gold, which predetermined its role in the global currency system.

2. The gold market was forming and developing along with the evolution of the global currency system and depended on the monetary role of gold in the global economic system.

3. In the last twenty years, despite flourishing financial instruments and their derivatives, gold has not lost its unique quality of almost absolute liquidity.

4. The extension of gold usage by central and commercial banks and current global electronic systems of digital gold allow clearly observing the modern transformation of such functions of gold as an exchange or a legal tender.

5. The conversion of central banks from net sellers to net buyers and diversification of income sources from gold transactions are the evidence of the enhanced role of gold in international finances. In this connection, under the conditions of the world's economy globalization and aggravation of international competition, the problem of regulating the international liquidity obtains a new meaning. Managing official reserve assets not only becomes the most important macroeconomic task of state regulation but also becomes global. Gold is considered one of the assets which can be a factor of overcoming the crisis potential of the Jamaica Monetary System.

6. Reforming the modern currency system is impossible without specification of the status of gold as an international reserve asset. Moreover, taking into account the increased volatility of gold prices, strengthening the gold sales regulation in the market is required from international financial institutions.

7. Reestablishing the gold standard in the modern context is impossible on a full scale because the economy suffers from constant fluctuations, overcoming which requires the growth of active money; modern production volumes are increasing, gold is still allocated between countries unevenly.All the gold in the world, both already extracted and stored in depositaries, and that is yet to be extracted will not be enough for servicing the international flows under these conditions.

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