

The Role of International Economic Organizations in Global Economic Governance: From the Perspective of The Impact of Digital Currency on Economic Growth, Monetary Policy and Financial Crisis Prevention

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Abstract. In the dynamic landscape of global economic governance, challenges arise from profound structural transformations and historical developments. This study investigates the role of international economic organizations in global economic governance, focusing on the impact of digital currencies, such as Bitcoin and Central Bank Digital Currencies (CBDCs), on economic growth, monetary policy, and financial crisis prevention. International economic organizations assume important functions in global economic governance, including policy coordination, financial stability, crisis assistance. The research addresses critical questions, including how digital currencies influence global economic growth, challenge traditional monetary policy, and create new risks to financial stability. Findings indicate that while digital currencies enhance financial inclusion and cross-border payment efficiency, they pose significant challenges to monetary policy implementation and increase systemic risks. International economic organizations should enhance global policy coordination, establish robust regulatory frameworks, and provide technical guidance to mitigate these risks. Future research should explore the integration of CBDCs into global economic governance frameworks and their potential to reshape financial stability mechanisms.

Keywords: Digital currency, monetary policy, financial crisis prevention.

1. Introduction

In recent years, the wave of global economic digitalization has swept across all walks of life, and technological innovation and digitalization are profoundly changing the traditional economic model. Against this background, digital currency, as an important breakthrough in the field of financial technology, has rapidly emerged and has had a profound impact on global economic governance. The emergence of decentralized cryptocurrencies represented by Bitcoin and Ethereum, as well as the research and development and pilot projects of central bank digital currencies led by central banks of various countries, all indicate that the global financial system has entered a critical stage of digital transformation.

While the rapid development of digital currencies has promoted the improvement of payment system efficiency and the facilitation of cross-border transactions, it has also brought a series of challenges such as monetary policy effectiveness, financial stability, and regulatory arbitrage. International economic organizations such as the IMF, BIS and FSB, as important coordinators of global economic governance, play a key role in responding to regulatory innovation, policy coordination and risk management of digital currencies. For example, the IMF is studying the potential impact of CBDC on monetary policy and the international reserve system, the BIS is actively exploring digital solutions for cross-border payments, and the FSB is focusing on the threats and countermeasures of digital currencies to global financial stability. Therefore, it is particularly important to explore the impact of digital currency on global economic governance and its reshaping of the roles of these international organizations.

Studying how digital currency affects global economic governance will not only help clarify its specific role in global economic growth, monetary policy and financial stability, but also provide theoretical basis and policy recommendations for international economic organizations to formulate

response strategies. In addition, the rapid development of digital currency is particularly important for emerging markets and developing economies, which may face multiple risks of capital outflow, currency substitution and financial stability. This study will help fill the gaps in current academic research and support the international community in building a more inclusive, fair and efficient economic governance system.

2. Global Economic Governance

2.1. Functions and Roles of International Economic Organizations

This paper will focus on the International Monetary Fund, Bank for International Settlements, and Financial Stability Board, and focus on the role of these three international economic organizations in global economic governance. The core functions of the IMF are to promote international monetary cooperation, maintain exchange rate stability, and provide temporary financial support to member countries in difficulty. By monitoring the economic policies of its member countries, the IMF can help reduce global economic imbalances. Its crisis aids mechanisms have played a key role in stabilizing the international financial system. BIS is primarily dedicated to promoting cooperation among central banks and ensuring the stability of international financial markets. The Basel Agreement series released is an important cornerstone of global banking supervision and directly affects the stability of cross-border financial transactions [1]. The FSB is responsible for monitoring and addressing risk issues in the global financial system, particularly with regard to cross-border capital flows and systemic financial risk control. It coordinates the regulatory policies of various countries and is crucial to maintaining financial stability. In the context of economic globalization, these organizations help countries cope with the challenges brought about by globalization through policy coordination and technical assistance, especially playing an irreplaceable role in maintaining cross-border financial stability.

2.2. Challenges Facing Global Economic Governance

The rapid increase in cross-border capital flows, driven by globalization and financial liberalization, has facilitated global resource allocation but also heightened financial volatility. The historical precedent of the 2008 financial crisis underscores how unchecked capital movement can destabilize markets, leading to systemic risks. These pressures are compounded by the unequal economic growth across regions, where developed nations often dominate economic policy frameworks, leaving developing countries with limited influence and exacerbating global disparities.

2.3. Coordination of International Economic Organizations and Monetary Policy

International economic organizations play the role of coordinator in the formulation and implementation of monetary policy. For example, the IMF helps member countries manage monetary policy by providing technical support and coordinates multi-country aid in times of crisis. BIS and FSB help central banks develop a common monetary policy framework to respond to global financial shocks.

3. The Concept of Digital Currency and Related Economic Impact

3.1. Challenges Facing Global Economic Governance

To establish the foundation for understanding digital currency, this section defines what digital currency entails and classifies its various forms. Digital currency is broadly defined as a digital representation of value that is issued and stored electronically. It includes decentralized cryptocurrencies like Bitcoin, which operate on blockchain technology [2, 3]. and Central Bank Digital Currencies, which are state-backed digital representations of fiat currency [4]. This

classification provides a structure to understand the wide-ranging implications of digital currency in economic systems.

This discussion directly ties to Section 2.2, as understanding the classification helps us explore the differentiated economic impacts of these types of digital currencies. For instance, cryptocurrencies influence private sector innovation and global payment systems, while CBDCs have direct implications for government policies and financial inclusivity. These impacts can also present challenges, such as regulatory dilemmas and risks of financial instability, which are interwoven with the economic consequences addressed in the subsequent section.

3.2. The Impact of Digital Currency on Economic Growth

Digital currency can improve financial inclusion. Digital currency can lower the threshold of the traditional financial system and enable more people not covered by traditional banks to enjoy financial services. For example, the decentralized nature of blockchain technology allows people in remote areas to pay and save through digital wallets, thereby promoting economic development; secondly, digital currencies can promote the efficiency of cross-border payments, and digital currencies can significantly reduce the cost of cross-border payments. cost and time. For example, stablecoins provide efficient and convenient payment solutions in international trade settlement. The launch of central bank digital currencies provides a more reliable tool for cross-border settlement [5].

3.3. Risks and Challenges Brought by Digital Currency

There is price volatility in digital currencies. For example, the high volatility of cryptocurrencies poses a threat to the stability of financial markets and may lead to the emergence of speculative bubbles. For example, violent fluctuations in the price of Bitcoin often trigger panic in the market. At the same time, there are also risks of anonymity and capital flight. The anonymity of digital currency makes capital flight and money laundering more convenient. Regulators need to find solutions between balancing privacy protection and anti-money laundering compliance. This chapter systematically analyzes the multi-dimensional characteristics of digital currency as an emerging financial instrument through discussions from definitions, economic impacts to risk challenges. While digital currency improves financial efficiency and supports economic growth, it also poses new challenges to financial stability and global supervision. In the future, policymakers will need to find the right balance between technological innovation and financial security to maximize the potential of digital currencies while reducing their risks.

4. The Impact of Digital Currency on Monetary Policy

4.1. Definition

This chapter studies the impact of digital currency on monetary policy from three key perspectives: opportunities and challenges. "Challenges in Monetary Policy Implementation" explores how digital currencies are upending traditional monetary tools such as interest rate control and money supply regulation. Second, assess the impact of digital currencies on cross-border capital flows and exchange rate fluctuations from the perspective of capital flows and exchange rate stability. Finally, the role of central bank digital currencies is introduced, and how CBDCS can address the challenges posed by decentralized cryptocurrencies while improving the effectiveness of monetary policy is analyzed. By analyzing along these lines, this chapter builds a logical framework for understanding the profound impact of digital currencies on central bank strategy.

4.2. Challenges in the Implementation of Monetary Policy

The challenge of digital currency to the central bank's traditional monetary policy is mainly reflected in the aspects of money supply and demand. The popularity of cryptocurrencies could reduce public demand for fiat currencies, thereby undermining central banks' ability to control the money

supply. Secondly, in terms of interest rate and inflation management, it is difficult for the central bank to effectively adjust market interest rates through traditional tools, thereby affecting the price stability goal. Finally, reflected in the interference of the policy transmission mechanism, the disintermediation characteristics of digital currency may weaken the effect of the central bank transmitting monetary policy through the banking system.

4.3. Capital Flows and Exchange Rate Stability

The cross-border liquidity of digital currencies may render traditional capital controls ineffective. For example, frictionless international transfers via cryptocurrencies could make capital outflows difficult to track, further exacerbating exchange rate volatility.

4.4. The Role of Central Bank Digital Currency

CBDC provides new tools to deal with the impact of digital currency on traditional monetary policy. First, it strengthens the implementation of monetary policy. Through programmable features, CBDC can accurately implement monetary policy, for example, directly distributing funds to specific groups of people to stimulate consumption. Secondly, it supports cross-border payments and capital flow management, and its launch helps the central bank track and manage cross-border capital flows. However, there are still potential challenges in its role. For example, the comprehensive promotion of CBDC may face multiple issues such as technology, privacy, and international coordination [4, 5].

5. Risk Management and Financial Crisis Prevention

5.1. IMF and BIS Emergency Measures in a Financial Crisis

The International Monetary Fund helps member countries deal with financial crises caused by emerging financial instruments such as digital currencies by providing rapid financing facilities and emergency lending mechanisms. Digital currencies can lead to accelerated capital outflows, currency depreciation and financial market turmoil, and the IMF has provided short-term financial support to affected countries during the crisis through flexible credit lines and rapid financing facilities. These mechanisms ease market pressures while providing policy makers with breathing space to implement the necessary monetary and fiscal adjustments [6, 7].

The Bank for International Settlements provides stable liquidity protection for the global financial system by establishing a liquidity support network among central banks. In the face of cross-border payment disruptions or foreign exchange market fluctuations that may be caused by digital currencies, BIS has played a key role in the financial crisis. For example, its Innovation Center is studying a multilateral settlement platform based on CBDC to mitigate the risk of payment system collapse. In addition, BIS provides liquidity to central banks of various countries through "currency swap arrangements" to prevent the spread of systemic financial risks [8, 9].

5.2. FBS Global Regulatory Coordination and Standard Setting

The Financial Stability Board has played an important guiding role in the field of digital currency regulation. Its series of recommendations include developing a global unified regulatory framework, clarifying the legal status of digital currency transactions, and strengthening information transparency. These recommendations are aimed at preventing systemic risks caused by digital currencies, such as shadow banking cross-border regulatory loopholes. The FSB particularly emphasizes the establishment of a risk-oriented regulatory framework to ensure that countries achieve coordination between balancing innovation and stability [10,11]

Although international economic organizations are actively promoting global digital currency regulatory coordination, there are still many challenges in cross-border data sharing, technical standard unification and balancing sovereign interests. For example, there are differences in policy priorities and technical specifications for digital currencies among countries, which has led to slow

progress in international cooperation. However, cross-border cooperation also provides an opportunity to develop global unified standards, such as through regional cooperation to pilot cross-border digital currency payments, to accumulate experience for global regulatory coordination.

5.3. IMF and BIS Promote Central Bank Digital Currency

The positive role of the IMF and BIS in promoting the development of CBDC highlights their key position in promoting financial innovation and addressing the challenges of digital currencies. These efforts have not only promoted the modernization of global financial infrastructure, but also enhanced resilience under systemic risks. However, these initiatives also bring challenges, such as potential gaps in CBDC adoption between countries and the risk of fragmentation of global regulatory standards. Therefore, it is recommended to strengthen coordination between the IMF, BIS and other international organizations to ensure the uniformity of CBDC design and implementation. Develop a policy framework that supports fair access to CBDC benefits, especially focusing on the needs of developing economies. Establish mechanisms to address potential risks related to data privacy, cybersecurity and monetary sovereignty. By addressing these challenges, the IMF and BIS initiatives can achieve a balanced development of innovation and inclusiveness while promoting the stability of the financial system [12].

6. Analysis

This chapter analyzes the policy practices of international economic organizations such as the IMF, BIS, and FSB, as well as China's digital RMB through specific cases, and explores their role in digital currency governance and global economic governance. Through the analysis of these cases, we can have a deeper understanding of how digital currency affects the global economic governance structure and related policy coordination.

6.1. IMF's Digital Currency Policy

The International Monetary Fund has actively addressed the challenges posed by digital currencies to the international financial system. Its policy focus is on managing risks and promoting regulatory coordination, particularly concerning the cross-border circulation of digital currencies. Such movements can challenge traditional capital flow control mechanisms, posing risks to monetary stability and financial autonomy, especially for developing countries.

6.1.1 Case Analysis

The IMF's technical assistance programs in sub-Saharan Africa highlight its efforts to address these challenges [13]. For instance, it supported local governments in evaluating the impact of digital currencies on capital flows and proposed measures to bolster the competitiveness of local currencies. These measures aim to enhance the region's financial autonomy and resilience against external shocks.

In another example, through its report *Digital Currency and Measures for Capital Flow Management, Policy Challenges in 2023*, the IMF analyzed how central bank digital currencies can improve payment efficiency [14]. The report also provided a framework for addressing money laundering and terrorist financing risks associated with cryptocurrencies and stablecoins.

Despite these achievements, challenges remain. The IMF's recommendations often face implementation gaps due to capacity constraints in member countries. However, its role in setting global standards and facilitating cross-border cooperation underscores its influence in digital currency governance, linking its initiatives with the broader efforts of BIS and FSB in promoting financial stability and systemic risk mitigation.

6.2. BIS and FSB's Digital Currency Regulatory Standards

As important coordinators of international financial stability, BIS and FSB focus on developing global digital currency regulatory standards to reduce systemic financial risks.

6.2.1 BIS's Practice

The Bank for International Settlements has taken a proactive role in analyzing and managing the impact of digital currencies. Through its report Cross-border CBDC and the Global Financial System in 2022, BIS proposed a multilateral cooperation framework to ensure the compatibility and interoperability of CBDCs among countries [8]. BIS's MobyDge Project exemplifies this approach. Launched in 2021, this initiative involved central banks from multiple countries in testing the application of CBDCs for cross-border payments [15]. The project demonstrated how CBDCs could reduce costs and improve efficiency in international transactions. Additionally, BIS advocates for regulatory sandbox mechanisms to allow experimentation with digital currencies in a controlled environment [16].

However, challenges such as varying levels of technological readiness and divergent national priorities complicate implementation. BIS's continuous engagement in these pilots and policy development reflects its role in bridging gaps between research and practical application.

6.2.2 Contribution of FSB

The Financial Stability Board has emphasized strict regulation of stablecoins to prevent financial instability. In its 2020 report Stablecoins, Risks and Regulatory Challenges, the FSB recommended robust KYC (Know Your Customer) and AML (Anti-Money Laundering) regulations and the auditing of stablecoin reserve assets [17]. One major challenge is the inconsistency in KYC and AML enforcement across jurisdictions, which creates loopholes in global regulation. The FSB addresses this by advocating for a unified framework and encouraging member countries to adopt harmonized policies. However, gaps in implementation persist, with some countries lacking the resources to comply fully. In collaboration with BIS and the IMF, the FSB works to ensure systemic risk is minimized through global standards. These efforts help mitigate risks associated with stablecoins while promoting transparency and accountability in digital currency ecosystems.

6.3. Summary

The roles of IMF, BIS, and FSB in digital currency governance reflect their complementary strengths. IMF focuses on policy coordination and technical support, while BIS emphasizes technological development and standard-setting, and FSB targets systemic risk mitigation through regulatory frameworks. Together, they contribute to enhancing global financial stability in the digital era. These efforts are interconnected. For instance, the IMF's policy guidance informs the technical frameworks developed by BIS, while the FSB's regulatory standards ensure that digital currencies are integrated into the global financial system without undermining stability. Their collaboration highlights the need for a unified approach to address the dual challenges of promoting innovation and managing risks.

7. Future Recommendations

7.1. Future Trends in Digital Currency Development

The future development of digital currencies will focus on three main directions: technological innovation, market expansion, and institutional reform. Emerging technologies such as artificial intelligence and blockchain will reshape the digital currency ecosystem by improving security, scalability, and efficiency. For instance, AI-driven predictive analytics could optimize transaction validation, while blockchain advancements may enhance interoperability between CBDC systems.

The market for digital currencies will likely deepen, with CBDCs playing a more pivotal role in cross-border payments and stablecoins expanding their applications in decentralized finance. Stablecoins could drive new use cases such as decentralized lending and liquidity management, contributing to financial inclusion.

Institutional reform will center on international collaboration, addressing challenges such as data privacy, cybersecurity, and regulatory integration. Global efforts to harmonize digital currency policies and technological standards will be critical in fostering sustainable development.

7.2. Governance Framework

International economic organizations, such as the IMF, BIS, and FSB, must adapt their roles to the evolving landscape of digital currencies. The IMF should focus on enhancing its technical support and policy research capacity, particularly in fintech and digital monetary policies, to assist member countries in managing risks. The BIS could lead more cross-border CBDC pilot projects and promote interoperability, enabling smoother international transactions. The FSB should accelerate the establishment of a global regulatory framework, emphasizing consistency across jurisdictions and addressing systemic risks.

These adjustments align with the challenges outlined in previous sections, such as regulatory fragmentation, cross-border payment inefficiencies, and financial stability risks. By refining their governance frameworks, these organizations can build a resilient global financial system that balances innovation with stability.

7.3. Policy Recommendations

In response to the challenges raised in the previous article, the following specific suggestions are put forward. First, for the IMF, strengthen the guidance of digital monetary policies of member countries, especially provide technical support in the areas of capital flow management and financial stability. Second, for the BIS, accelerate the formulation of global CBDC technical standards, ensure interoperability between systems, and enhance the credibility of digital payment systems. Finally, for the FSB, focus on a unified KYC, AML and stablecoin reserve audit framework worldwide to address cross-border regulatory differences. In addition, international organizations should strengthen cooperation and promote the formulation of global regulatory standards for digital currencies, including cross-border data sharing mechanisms, a unified legal framework, and the application of regulatory technology. These efforts will help coordinate global policies and reduce systemic risks.

8. Conclusion

This study explores the roles of international economic organizations, including the IMF, BIS, and FSB, in addressing the risks and opportunities posed by digital currencies. It highlights their contributions to emergency financial support, global regulatory coordination, and CBDC promotion. Key findings show that while digital currencies enhance payment efficiency and financial inclusion, they also introduce systemic risks and regulatory challenges. Recommendations include strengthening technical assistance, accelerating standard-setting, and promoting global regulatory frameworks to mitigate risks. The study underscores the importance of international collaboration in shaping the future of digital currencies and fostering a resilient global financial system.

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