

of capital controls. The Fund should be requested to prepare a study dealing with remaining capital controls and how their elimination can encourage stabilizing movements of long-term capital and thus contribute to balanced international payments.

The International Monetary Fund can play an important role in eliminating restrictions on long-term capital movements associated with security purchases. Member countries are required to inform the Fund of capital restrictions they impose. Annual consultations of the Fund provide an opportunity for review and for comments by the U.S. Executive Director. Although the Fund cannot formally take exception to capital restrictions—since its approving jurisdiction is limited to restrictions on current transactions—it can indicate that removal of capital restrictions would be helpful to the international financial mechanism. The decision by the Fund in 1961 to make its resources available to finance balance-of-payments deficits arising from capital outflows should help encourage countries to eliminate capital controls.