

the outline is to be converted into the form of a legal amendment by next March 31, and thereafter the legislatures of the member states of the IMF are to be called upon to ratify it; and if a sufficient number, 80 percent of the voting power, ratify the amendment, it would be adopted by the Governors of the IMF at the annual meeting next September.

The special drawing rights proposed under this plan are to supply a new international monetary reserve. Unfortunately, neither the plan itself nor the debate at Rio made it entirely clear what it is that the Congress is to be called upon to approve when the new proposition is presented to it next year.

The period ahead during which the negotiating process will reach its final stages and work on related matters will proceed is crucial. There is to be an IMF report accompanying the presentation to the national legislatures of the amendments to the Articles of Agreement.

We must be assured that the contents of this report are acceptable.

We have convened here a panel of four very distinguished experts in the field of international monetary affairs: Prof. Robert Triffin of Yale University; Prof. Fritz Machlup of Princeton; Sir Roy Harrod of Oxford University; and Dr. Edward Bernstein, formerly director of research and statistics of the International Monetary Fund.

Unfortunately, I have already heard from Professor Machlup that air travel conditions caused him to have to turn back from his trip to Washington. I suspect that the same thing may happen to Professor Triffin. Accordingly, we shall go ahead with Sir Roy Harrod and Dr. Bernstein. I am sure Mr. Machlup and Mr. Triffin will be able to give us their thoughts in the form of a letter, although we will miss their dialog.

I especially invite comment of the panel on four main fields of the subject matter before us:

One: the question of activating these SDR's after the agreement has been ratified. When would that be likely to be? What is to be the basis for deciding on activation? What hazards, if any, are there in the fact that while it takes 80 percent of the voting power to ratify the agreement, it takes 85 percent in order to actually activate it? The 85 percent means that 15 percent could have a vehicle of effective veto and since six of the Common Market already have 16½ percent of the voting power, and since under Common Market procedures apparently one of the six can prevent action by the other five, does this mean that activation stands at the mercy of a veto by one Common Market country, in effect? Must activation await perfection of the U.S. balance of payments? How many SDR's are to be created in the first place, and how can the number be changed in the initial 5-year period?

Two: The second group of questions has to do with the so-called parallel proposals of the European Common Market. From the Rio agreement and out of the debate there emerged the idea that there must be some changes in the regular structure of the IMF, for example, to change the voting majority for such things as quota increases with the end in view of giving the Common Market an effective veto over that.

What should the attitude of the United States be about such proposals and their parallelism? Alternatively, would it make sense to invite the Common Market to earn a veto power by increasing its present quotas under the regular IMF?