

STATEMENT OF SIR ROY HARROD, OXFORD UNIVERSITY

Sir ROY HARROD. Well, I first must say that I deeply appreciate the honor of being asked to express my views here when I am not a citizen of the United States.

Secondly, I must rather stress that I should not be taken to represent the views of the British Government nor even to be expressing the opinions that are typically British, still less, as I hope, opinions that are slanted in the British interest.

I have in rather extensive writings published in a great number of countries put forward certain opinions and I hope, therefore, that I shall be regarded as entirely objective and impartial and international in my approach.

However, I can just say that I have for many years followed the affairs of this country rather carefully and with sympathy, ever since I started giving a course of lectures, a regular course of lectures, on the Federal Reserve System at Oxford in 1925.

I have jotted on this bit of paper a number of respects, five respects, in which I regard this agreement as a real and important advance, but I do not think you want me to deal with those, because I think you want me to push on and talk about activation, and so on.

Anyhow, I have got them here. I can always go back to them. The five points of real importance in which I think there is great advance over anything that has been thought of—

Chairman REUSS. If you could summarize those five points we would welcome them.

Sir ROY HARROD. I will try to state them very shortly then because they are at variance with what has been discussed for so long in the Group of Ten and are at variance with what some people want.

One is that the special drawing rights are unconditional. That makes them nearer Bernstein's CRU's than the old drawing rights.

Secondly, while there has been a great argument about repayment, now called "reconstitution," there does remain the vestige of the requirement for repayment, but I would say it would be minor and, indeed, in the working of the thing I guess if they retain this 70 percent formula, a complicated one, people will probably not draw more than 70 percent of their SDR's and thereby have no repayment obligation.

Thirdly, a very important point is that it includes the obligation of creditor countries to receive in payment twice as much in SDR's as they have been allotted.

Now, that is not logical, but I think it is a pragmatic solution that will probably work, and it gets us away from what I regard as an objectionable feature in the General Arrangements to Borrow that the creditor countries, when they advance credit have some special right to interfere.

The fourth point is that, except for one clause, which I won't mention now, I could come back to it, V.1(a), the less-developed countries seem to be fully privileged along with other countries and have equal facilities.

And the fifth point is that the International Monetary Fund itself is in full control of the thing; it is going to run the thing; it will be the sovereign power.

Only a year ago people were proposing a sort of bicameral institution in which the IMF had to agree, and then the Group of Ten had to agree separately. All that is gone.