Between the date the IMF agreement was ratified in December 1945 and the date that the Executive Directors——

Sir ROY HARROD. By their country, not by all countries at that time.

Mr. BERNSTEIN. I am sorry. The Articles of Agreement were ratified before January 1, 1946, Roy, and the Executive Directors had their organization meeting about 2 months later. They needed a little time to get elections of directors.

In March 1946 we had an inaugural meeting of the Board of Governors, not just the directors, in Savannah. I believe it was March 1946.

But in any case it was about February 1947, that is more than 1 year after the Fund was organized, that the directors declared the Fund was ready for exchange operations, and even then there were no operations for a time until the first country, the Netherlands, came to borrow something like $8 million in sterling, which was the first exchange transaction of the IMF.

Senator SYMINGTON. Doctor, do you feel the position of the United States and France in 1945 are roughly comparable to what they are today?

Mr. BERNSTEIN. No, sir.

Senator SYMINGTON. As you present the illustration?

Mr. BERNSTEIN. No, sir. I do not believe the position of the countries is the same. But the two plans, Bretton Woods of 1944 and the Special Drawing Rights of 1967, are at a similar stage of activation. The plan for special drawing rights, when it is ratified, is ready for operation whenever the IMF decides on the creation and the issue of the special drawing rights.

That is one reason why the French did not even want a technical plan prepared.

Second, I think the provision that the Managing Director should propose the time of activation and recommend how much special drawing rights should be created on the basis of his finding general support for these steps is the most favorable provision we could have, because a Managing Director with 107 members is bound to be very much influenced by the opinion of 100 or more of them, even if one or two are a little reluctant to go ahead.

I am confident that this plan will be activated at the right time, and that is when the Managing Director is advised by his technical staff that the growth of reserves has been at a rate which is not appropriate for the expansion of the world economy and that it is necessary, therefore, to create the new reserve asset.

This seems to me the most favorable provision for activation we could have put into the agreement.

So I point out this, Senator:

(*a*) The country that did not want a detailed agreement at all, and I mean France, did not prevail. The Agreement was prepared.

(*b*) The view that the Special Drawing Rights should be a type of credit instead of a reserve asset did not prevail. It became, in fact, a reserve asset.

Even the 30 percent of the Special Drawing Rights that must be reconstituted are more readily available than the gold tranche in the IMF, and we call the gold tranche a reserve asset.