

will give him a chance to go pretty soon. Can you stay another 10 minutes?

Mr. BERNSTEIN. Well, Mr. Chairman, I have to write a paper on the devaluation, and I cannot give up a full day's work. But I will stay all of this morning.

Chairman REUSS. Why don't we cover in the remaining, oh, 5 minutes, some questions I had.

You have addressed yourself to points 1 and 2 extensively.

Let us talk about point 3: namely, the link between SDR's and economic development aid.

There the IMF is generally invested with this question as a result of one of the Rio resolutions. Obviously, one would not want to delay the ratification and activation of SDR's at this late date by bringing in the question of the possible partial use of SDR's to achieve development aid.

But I would ask you this question: Would it not be useful for discussions to start in the World Bank and in the International Monetary Fund looking toward a possible future use of SDR's for a partial linkage with development aid specifically, and after the SDR device had been used for awhile, would it not be feasible in a given year in which, say, \$2 billion worth of SDR's were about to be created, if let us say 20 percent of them, \$400 million worth, were channeled into, let us say, the International Development Association through bonds or debentures, either by taking 20 percent of the new SDR's across-the-board and having the International Monetary Fund buy IDA bonds or debentures, or by asking the developed countries to dedicate a portion of their new SDR's toward the task of development aid by again buying IDA bonds or making a loan to IDA, so that before the new SDR's came to their final resting places in the coffers of the developed countries, they might have served a useful apprenticeship in the field of foreign aid?

Is there anything about that proposal, if it is carefully separated from the immediate agenda ahead, that bothers you?

Mr. BERNSTEIN. I have no objection to facilitating aid in every possible way, and I certainly do not object to examining how SDR's could do it.

But I would like to point out the following: we are starting with a new reserve asset, and there are some countries very much afraid that this fiduciary asset represents a step into the unknown, and if they ever wanted to withdraw from the system, they could never get back the real value of the SDR's they acquire from other countries.

I think the operation of such a system on a conservative basis in the first few years is very desirable.

I think, if we started a discussion now of using SDR's for aid it would raise the reluctance of the creditor countries and delay the ratification of the present agreement.

The second thing I think we have to bear in mind is the following: if you take any fraction, 20 percent of the SDR's pro rata from every member of the IMF, then you would be taking 20 percent from what the United States would otherwise have got with the same allocation, and 20 percent from what the United Kingdom would have got.

If we earned back in SDR's from the less developed countries the same proportion that we now have in trade with them, we would not have earned back as much as we would give up by surrendering our