

expressed a preference for using the traditional machinery of the Fund. In the months preceding the Rio agreement, however, the French had withdrawn their own proposal and now favored IMF drawing rights, while we now argued in favor of collective reserve units. The initial objective of this technique—*i. e.* to keep out the underdeveloped countries—had, in the meantime, vanished from the horizon of practical politics.

Traditional negotiating techniques could hardly be better designed to frustrate the national interests of the negotiating countries themselves. The opening of a negotiation presupposes that all the participating countries agree that there are sufficient "convergent interests" to make such a negotiation worth while. Even if such converging interests encompass 90% of the problems under discussion, however, the diplomatic game tends to lose sight of them and to concentrate instead on the 10% on which interests diverge, and on which each delegation will fight to obtain the best possible deal for its own country.

Before going to the negotiating table, each delegation will hammer out, at home, a "national negotiating position" motivated by its officials' own view—correct or mistaken—of the national interest. But the last thing it will do is to disclose such motivations at the conference table. It will not argue that other countries should accept its proposal because it embodies the national interests of the delegation's own country. On the contrary, it will argue that the proposal is in the best interests of the *other* countries, and/or is technically superior to *their* proposals.

Each delegation adopts the same technique and pretends to justify incompatible negotiating positions on an altruistic basis which bears little or no relation to what it itself believes. Each delegation is nevertheless forced by the rules of the game to meet, and contest, the argumentation of the others, even though it knows full well that none will change its mind because a good case has been made out to show what it already knew, *i. e.*, that its proposals reflect its country's interests rather than those of the others.

This phony haggling process inevitably tends to obscure the substantive issues under discussion and the converging interests that the negotiation should serve and make operational through international agreement and commitments. A new format of international negotiation is badly needed to facilitate and accelerate agreements among *theoretically sovereign but actually interdependent* countries. Some progress in this direction has been made in fact through the new negotiating techniques developed in OEEC in the early 1950's, in the European Economic Community in the late 1950's, etc. Their exploration, however, would exceed the scope of this paper and my ability to handle a problem requiring a close cooperation between historians and lawyers as well as between social scientists.

FUTURE EVOLUTION OF THE INTERNATIONAL RESERVE SYSTEM

Let me close instead with a bold prophecy about the future evolution of our international monetary system. This evolution may be helped, but will not in any case be frozen, by the decisions arrived at in Rio. The historical trend toward the national displacement of commodity money by fiduciary money, and toward the increasingly centralized orientation and management of the latter by national authorities, will be duplicated in the international field by a similar displacement of gold reserves by fiduciary reserves, and by an increasing subordination of the latter to joint orientation and management. This evolution is already well underway indeed. Gold reserves have already dropped, for all countries taken together from 91 percent in 1937 to 74 percent in 1949 and 57 percent in 1966. *Nationally* created *international* fiduciary reserves—*i. e.* overwhelmingly dollars and sterling—constitute today as much as 41 percent of the global reserves of countries other than the two reserve centers of the system, but are down from 56 percent in 1949. *Centralized reserves* on the IMF have grown, on the other hand, for the same countries from 1 percent only of total reserves in 1949 to 11 percent in 1966.

The inadequacy of the agreements that may be reached in the present phase of the negotiations and the new crises that may be unleashed thereby upon the world economy would probably reverse this trend in the short run, as was the case in the early 1930's, when fiduciary reserves declined temporarily from 24 percent of world reserves in 1928 to only 5 percent following the devaluation of sterling and the dollar. They will not, however, permanently arrest a movement which is part and parcel of a far broader evolution, which only the blindest of so-called "realists" are unable to read in our world's history.

The displacement of commodity money by fiduciary money and of commodity reserves by fiduciary reserves reflects the effort of man to control his environment instead of being controlled by it, in the monetary field as well as in others.