On the other hand, the Rio decision to distribute SDR's in proportion to IMF quotas seems to me as absurd as unviable in the long run:

(*a*) It would allocate well over a third of any SDR's to be created to two of the richest countries in the world—the United States and the United Kingdom—another 40 percent to two dozen other developed countries, and leave less than one-fourth to be divided among 80 less developed countries;

(*b*) This automatic allocation would support whatever national policies each country chooses to pursue, without any regard whatsoever for their folly or soundness, and for their impact upon the rest of the world. It seems hard to believe that prospective creditors would continue, in fact, to agree to the creation of the large amounts of SDR's that may be required in the future if this entails the automatic financing by them of national policies on which they have not been consulted, with which they may be in fundamental disagreement, and which they may regard as directly contrary to their own interests. I think that realism clearly coincides here with morality, and that the system proposed at Rio is as unviable in the long run as it seems to me immoral.

The solution suggested above might have to be further adjusted, however, to take into consideration the special role which major financing centers—primarily the United States and the United Kingdom—inevitably play, and will continue to play in the world reserve system.

I think that this would leave, in fact, a very large role for dollars and sterling as vehicle currencies, as working balances for central banks, and even as reserve currencies for the countries whose reserves are primarily borrowed in New York and London. So that many of the fears that have been expressed in this respect are totally unfounded. The refusal of our negotiatiors, so far, to examine these sorts of proposals seems to me to express one of the greatest possible misunderstandings of the true interests of our country in this matter.

III. Pooling

I would like to refer briefly to a third amendment, and this is that some effort should be made to lighten the awesome burden of collective, worldwide, decisionmaking which the above proposals would place upon the International Monetary Fund.

This could be done by decentralizing the IMF responsibilities through the encouragement of the regional monetary cooperation called for, anyway, by the implementation of regional economic agreements such as have emerged in recent years in Europe, Central America, and Latin America, and may develop tomorrow in other parts of the world, such as the ECAFE region.

The resources to be assigned to monetary cooperation could be divided between such regional monetary institutions and the IMF, the regional groups assuming responsibility for the handling of balance-of-payments disequilibria among their members, and the IMF for the handling of disequilibria between each regional group, taken as a whole, and the rest of the world.

This would not only lighten considerably the task of collective decisionmaking by the institutions concerned, it would also instill more realism in the conditions governing each country's access to