the problem of creating synthetic reserves will become acute only once the reserve-currency countries—particularly the United States—have succeeded in eliminating their balance of payments deficits over the long haul. Hence there would seem to be no particular hurry to create a system of synthetic reserves designed to someday supplement the dollar as a source of international reserve creation. This is especially true since there is as yet no end in view to the long series of United States payments deficits; furthermore, the preliminary technical groundwork for the creation of a reserve plan has already progressed so far that, given the necessary political agreement, the actual mechanism itself could be worked out relatively rapidly.

Hence there are hardly any sound reasons why, during the annual conference of the International Monetary Fund in September, many voices were raised urging all possible haste in setting up such a scheme and demanding that the project must be fully worked out by next year's IMF meeting or that else it would be too late. Even the premise put forward by the IMF administration, that the establishment of such a reserve plan could eliminate existing uncertainty about the price of gold, is not very convincing. For the current insecurity concerning the future of the monetary system comes less from uncertainty about the creation of a new kind of reserves than from the continuing American balance-of-payments deficits and the dangers which they create for the present system of reserve currencies.

Among the industrial nations, it is those countries plagued by chronic payment gaps which are stressing the urgency of setting up a new reserve system. Rightly or wrongly, this fact has awakened the suspicion that, despite all their protestations to the contrary, those countries regard the creation of synthetic reserves as an opportunity to at least partially cover their deficits. This explains why, quite aside from the conflict between France and the United States, there is a certain mutual distrust among the members of the Group of Ten concerning the aims of some of them in pursuing this far-reaching project. Openly stated, Continental European circles harbor an oft-expressed fear that the Anglo-Saxon powers together with the developing nations could gain control of the uses to which such a reserve mechanism might be put, and that as a result the "money machine" could easily become an international "inflation machine." Any attempt to evaluate the difficulties and prospects of the planned monetary reform must be based on a recognition of this situation.

THE TEN AND THE IMF

Until very recently, negotiations on the creation of synthetic reserves were limited to the Group of Ten nations, with France's position creating notable difficulties. The most substantial difference between France and the others is that the French Government would like to eliminate the dollar's function as an international reserve currency, while the rest emphasize that the dollar should continue to exercise its reserve function alongside the new monetary reserves to be created. The press conference held by French Minister of Finance Michel Debré on September 30 made it difficult to tell whether the difference of opinion over the necessity and desirability of a new kind of reserve units is fundamental or rather tactical in nature. A few days earlier, in his speech before the plenary session of the IMF conference, Debré had fired a broadside against the principle of synthetic reserves *per se*. But at his subsequent press conference he showed himself more flexible, laconically rejecting an increase in the price of gold and indicating that his country would, if necessary, consider the question of a new reserve project. In the light of these statements, it would appear that France is interested in playing a moderating role in this matter, in order to prevent such a system from being too hastily conceived and applied and thus getting out of hand. If France would limit itself to this braking function, its opposition could be useful and constructive. At any rate, in addition to numerous exaggerations Debré's speech before the IMF contained many home truths which needed saying.

Earlier this year, when the Group of Ten held its conference in The Hague, it stated as a body that it would continue to study the problem of the creation of new reserves, and moreover that it would carry on discussions on this subject with the IMF executive directors. This brought the preparation for a reserve mechanism into a new phase, in which the developing nations would be included in deliberations. At the more recent IMF meeting in Washington, the interest