and attitudes of the developing countries vis-á-vis the liquidity problem constituted the central theme. There was general consensus that all countries are interested in seeing a smoothly functioning monetary system and that the interests of all countries must be taken into account in the creation of a new reserve system. At the same time, the industrialized nations also stressed the importance of the second principle which had been laid down in The Hague resolution: namely, that a reserve mechanism would in the final analysis be dependent upon financial cover from a limited number of countries which play a key role in the functioning of the world monetary system, and that these countries must therefore be given a decisive voice in the creation and utilization of an international reserve apparatus. The Hague Declaration also stated that this could be best accomplished by a procedure in which suggestions for the creation of reserves would be examined both by the limited Group and the Fund. The required majorities and voting procedures would have to pay adequate heed to the above-mentioned two principles; this was seen as an essential prerequisite for agreement on the creation of new reserves.

THE TUG-OF-WAR BEGINS

This view of the matter met with strong resistance among the emergent nations at the IMF conference. In more or less sharp form, nearly all the representatives of these countries insisted that a reserve mechanism must be universal in nature, that no group of nations must be allowed an overriding voice in its operation, that all countries must be given equal consideration in the allotment of reserves, and that the kind of reserves used must be uniform. The developing nations reject the idea of a reserve system which would be created and administered by the Group of Ten, and under which the member nations of the Ten would channel part of the assets to the IMF for redistribution to other IMF members in the form of drawing rights. In the opinion of these countries, the new reserve mechanism must be incorporated into the structure of the IMF itself and decisions on the creation, operation and periodic review of such a system should be made exclusively by the International Monetary Fund's authorities—that is, by representatives of all countries concerned.

The formula worked out at The Hague, calling for double majorities and voting procedures, received little overt defense from the representatives of the Ten during the IMF conference. In fact the British Chancellor of the Exchequer, who had just returned from a conference of Commonwealth finance ministers in Montreal, had been so influenced by the wishes of the developing countries that in his speech before the IMF he clearly retreated from The Hague position. He stated that, instead of establishing criteria and procedures for majority voting, efforts should be made to reach informal agreement between the Ten and the emergent nations on the establishment and application of a new reserve system.

The statements by US Treasury Secretary Fowler also lack any reference to The Hague decisions. Among American circles one may even hear the view expressed these days that The Hague Declaration went too far in its concern to institutionalize the key role of the industrialized nations in a new reserve system. This same view is held by some circles in the IMF's administration. The heads of IMF and various countries, even some of the Ten, appear to be aiming for a solution under which the formal decision-making functions in the new reserve system would go to the International Monetary Fund, while the actual importance of the Ten would find its expression on a more informal level. This trend, however, will probably meet with reservations and opposition on the part of those members of the Ten who want to hold the key to the creation of a new monetary reserve mechanism in their pocket.

THE NEED FOR RECIPROCITY

The reluctance to drop the idea of a double majority system has been strengthened by the attitude which is being displayed by various developing countries toward a new reserve mechanism. Many emergent nations seem unaware that, however it is conceived, such a mechanism involves a system of mutual credit commitments, in which each partner must be prepared to temporarily place goods and services at the disposal of the other on credit, and that such a system can function only on a reciprocal basis, that is, if the balance-of-payments positions change. These young countries tend to regard the idea of a reserve plan as a