

system under which manna would fall from the heavens, an opportunity to obtain increased development aid. Although a few of the more advanced emergent nations have come to realize the need for currency reserves as a kind of equalization fund for balance-of-payments fluctuations, the majority of them do not yet understand this.

For years, various industrialized nations have quite correctly promulgated the principle that the creation of additional monetary reserves must in no way be tied to the question of development aid. And there has been loud applause for the thesis that newly-created reserves must serve only as a temporary equalizer for balance-of-payments fluctuations, and not for the long-term transfer of goods. But today there seems to be at least a partial retreat from these principles, reflected in a consideration of possible direct participation by the developing nations in the creation of new reserves and the admission that these countries cannot be expected to adhere to the rule of reciprocity. To the objections that the granting of capital aid to the developing nations is not consonant with the purpose of deliberately creating additional reserves, and that such a system cannot function well without sufficient reciprocity, the mollifying argument is being brought forward that the emergent nations represent merely one-fourth of total international liquidity, so that if the industrialized nations adhere to the rules of the system, it will be able to operate properly anyway. This dispute will no doubt be the subject of much spirited debating in the future, both within the Group of Ten and between the Ten and the larger community of the IMF.

JUST A PRELIMINARY SKETCH

There was notably little discussion during the IMF meeting of what form the synthetic reserve should take. This may be partly due to the technical nature of the problem. But it is also in part explained by recognition of the fact that similar results may be obtained whether the reserves are created by granting additional automatic drawing rights to the IMF or by means of newly created reserve units, or "owned reserves." With few exceptions, most speakers expressed a clear preference for some form of reserve units or a mixed system. The administration of the IMF also seems to favor the creation of special reserve units. If any solution is reached at all, it may be assumed that it will to a great extent be embodied within the IMF.

However, it seems extremely doubtful that a complete reserve plan will be ready by next year, in keeping with the wishes and urgent demands heard at the Washington conference. If the Group of Ten required so much time just to set down a few general principles, it may be assumed that the widening of talks to include all IMF members will slow down the pace of negotiations even further and will multiply the abundance of technical and political problems to be overcome. The projected talks between the Ten and the International Monetary Fund will be merely consultative discussions, during which no decisions will be made. The Ten and the IMF will have to agree between them in which direction they wish to move. The construction of an international money machine has not yet passed the stage of preliminary sketches, and it is by no means certain that the imposing structure dreamed of by many will ever be built.

What is more probable is that, when America's payments difficulties have finally been ironed out, thus bringing up an immediate necessity for additional monetary reserves, gradual pragmatic steps will be taken within the existing framework of the International Monetary Fund. This would by no means be a tragedy. Far more urgent than the problem of liquidity, which today is at most a cloud on the horizon, are the problems of worldwide inflation and the persistent balance-of-payments disturbances. These most serious matters should not be overshadowed by excessive emphasis on the question of liquidity.

(Mr. Roosa's comment on the preceding article was later supplied and appears below:)

Ashinger's specific questions and reservations concerning the creation of a new reserve asset are all well put and, in my view, were broadly valid at the time he wrote. Enough has happened, or been clarified, in the succeeding four months, however, to contradict his underlying theme—that this reform is being pushed ahead too fast.

I believe that a new reserve asset is needed and hope that the major elements of a plan can be agreed before the end of this year. I think agreement on the