

I should not want, however, to disparage the significance of the new amendments to the IMF involved in the establishment of the SDRs. The new amendments are of fundamental importance, both with respect to the new asset they provide for, and the changes in the *modus operandi* and power structure of the Fund. Nor do I wish to denigrate the skill required to have negotiated such an agreement. The new amendments are incredibly subtle and complex in their real meaning. Some hint of their complexity is indicated by the fact that the Executive Directors were requested at Rio to submit reports to the Governors by March 31, 1968, but were unable to meet the deadline, despite "all levels (of the staff) . . . working under intense pressure, sustained for more than six months."² It is clear that the issues that had to be resolved were exceedingly complex, and not at all inconsequential.

My initial readings of the amendments have convinced me that they will fundamentally alter the character of the Fund, shifting the power to the creditors and vitally affecting Fund operations with the U.S. I cannot go into that question at any length here, except to point out what must by now be evident, that the U.S. has effectively given a gold-value guarantee on Fund holdings of its currency, even in the event of a uniform reduction of par values. As a practical matter, the U.S. will now have to be extremely reluctant to make any use whatsoever of the Fund's resources. On these grounds alone, the new amendments cannot be considered of minor importance.

III. THE NEED FOR AN INTERNATIONAL MONEY

It is in the light of the expected finalization of the new amendments that one is asked whether any new recommendations might be made to the Governors of the IMF at the Washington meetings. It is my view that the coming meetings offer a great opportunity. For, while the creation of the Special Account in the Fund did not prevent a breakdown of the existing gold arrangements, it did demonstrate a general willingness to make substantial improvements in the system. The Governors proved less conservative than the experts. The satisfaction with which the Outline was greeted reflected not just the concern for a new means of creating liquidity, not just the hope of the less developed countries that when the short-run monetary problems of the developed countries are solved, the latter will be able to turn their energies to the more basic question of long-run development finance.

There was a new ingredient. The new ingredient was the excitement engendered by a new experiment in world sovereignty. The concept of world money is a breathtaking step, and one could sense a belief that a new era had dawned in financial relations between nations.³

It would seem to me to be very unfortunate if the momentum toward financial integration developed at these meetings, and by the lengthy negotiations over the Special Drawing Rights that preceded them, should be cut short by the disillusion over the breakdown of the gold exchange standard in March or by a failure of imagination at the present time.

It is clear in what direction we need to move. We need to construct, out of all the assets currently used by the monetary authorities, a new world currency. This was recognized years ago by that eminently practical central banker, the late Charles Rist:

"What international commerce needs is a common and unquestioned money to which all the international prices can be pegged."⁴

I do not believe this to be a radical proposal. It is, rather, an evolution of trends that have been going on for a long time.

The American people recognized the need for a common money when, nearly two hundred years ago, they created (by the Act of 1792) a national money, the U.S. dollar, to replace the separate monies of each of the states. The French have also taken a lead in the movement to a world money: in 1867 Napoleon III convoked in Paris an international monetary conference for the purpose of building an international monetary system (based on the Latin Monetary Union). And his idea, at that time, received considerable support in the U.S. The U.S. mint in fact prepared in 1874 a sample for an international gold coin carrying the inscription, "Dollars 10/Sterling £2. 1. 1/Marken 41.99/Kronen 37.33/Gulden

² *Proposed Amendment of the Articles of Agreement* (IMF, April 1968).

³ "The International Monetary Fund" in *International Financial Organization*, 1968.

⁴ Rist believed, at the time he wrote, that the only practical international money was gold. But technological advances have created better alternatives. The above excerpt was written in 1952. See C. Rist, *The Triumph of Gold* (New York, 1961, p. 205).