VI. THE PLAN

A. WHY?

The objectives of the proposal are seven-fold:

1. To restore control of the private gold market to the monetary authorities and implement a coordinated gold policy for the major countries.
2. To neutralize destabilizing shifts from one reserve asset to another and prevent the destruction of international currency reserves.
3. To provide a systematic means to create new purchasing power in the event of a world depression, or absorb excessive purchasing power generated by abnormal fluctation in gold supplies or Russian policy.
4. To rationalize the present proliferation of reserve assets into a single world currency.
5. To provide the rest of the world with an alternative intervention asset to the dollar or to gold in case the need arises.
6. To develop a centralized management of the international monetary system and coordinate guidelines for world monetary policy.
7. To provide a forum in which the debt and balance of payments problems of the less developed countries can be coordinated with development aid policies as the need for this coordination appears.

I submit that our present arrangements do not fulfill these functions.

B. HOW?

These objectives can be fulfilled by the creation of a common international currency, initially for use by central banks alone, but eventually available to traders, travellers and lenders as the need arose. The currency would be backed by gold and reserve currencies and would represent a form of international paper gold certificate or receipt (the intor). The intor would be freely usable in payment of all international debts and, in itself, be a final unit of measure and contract for international obligations. It would be a hard international money, superior to gold or dollars and capable of being expanded or contracted according to the needs of the world economy.

Intors would be established by the centralization of existing gold, dollars, and sterling reserves in an international Monetary Pool (IMP) Countries would place part or all of their reserves in the IMP and would get intors in exchange. Members would agree to accept intors freely in exchange for their own currencies. As the plan for special drawing rights is activated, the IMP would also be authorized to acquire SDR units and issue intors in exchange. The IMP would be owned by its members who would be the beneficiaries of the internalization of the externalities involved in the saving of resources through the use of a common money.

The quantity of intors would be adjusted over time by the purchase or sale of IMP assets just as currency is issued today by any of the banks of issue Authorized assets would include gold, interest-bearing reserve currencies, gold tranche IMF positions, SDR instruments, IBRD bonds, and such other commodity or financial assets as authorized by the directors. In addition they would include a specified quantity of "founding instruments" to be specified in the next section. Interest received on earning assets would be paid (after deduction of expenses and a reserve fund) as dividends on intor holdings.[20]

Founding members would be those who committed reserves at the inception of the IMP. They would have the privilege of depositing founding instruments (a sum of their own currency) with their reserves, receiving an equivalent value of intors in exchange. These founding assets would become dormant (non-interest-bearing) assets of the IMP, used only in the event of the withdrawal of a member. Founding members thus receive a bonus premium for early membership.[21]

The scheme would be open to any country in the world.

[20] Subject to the discretion of the directors, the dividends would be paid either in the form of additional intors or in the currency in which interest is received.

[21] It is unnecessary at this stage to develop the details of the premium that would be provided to the founding member; a flat 20 per cent of the contribution of reserves might be a rough rule of thumb, but adjustments would have to be made to avoid penalties to countries which, like France, Britain and India are financially prostrate. I have worked out a tentative weighting system, but this is not the time to elaborate on details.