IV. SETTLEMENT WITH A CUMULATIVE SURPLUS COUNTRY IN RESERVE SETTLEMENT ACCOUNT

(Million Dollars)

Deposits of Deficit Countries		Imputed Settlements of Deficit Countries	
ountry A: *Deposits*	*500*	Country A: *Deficit*	*100*
Gold	250	Gold	50
Foreign exchange	150	Foreign exchange	30
SDRs	100	SDRs	20
ountry B: *Deposits*	*1,000*	Country B: *Deficit*	*200*
Gold	400	Gold	80
Foreign exchange	400	Foreign exchange	80
SDRs	200	SDRs	40
ountry C: *Deposits*	*1,200*	Country C: *Deficit*	*300*
Gold	800	Gold	200
Foreign exchange	100	Foreign exchange	25
SDRs	300	SDRs	75
ountry D: *Deposits*	*800*	Country D: *Deficit*	*400*
Gold	300	Gold	150
Foreign exchange	400	Foreign exchange	200
SDRs	100	SDRs	50
Settlement of Surplus *		**All Deficit Countries ***	
ountry S: *Surplus*	*200*	*Total deficits*	*1,000*
Gold	96	Gold	480
Foreign exchange	67	Foreign exchange	335
SDRs	37	SDRs	185

* Settlement with surplus country is one fifth of the gold, foreign exchange, and SDRs in imputed settlements of all deficit ıntries.

ld markets. The deposit of dollars and sterling in the ›serve Settlement Account would prevent the conued accumulation of reserves in this form, obviate ɜ risk of massive conversion of these currencies into ld in a time of crisis, and facilitate their gradual uidation and replacement by SDRs under appropriate nditions. The present foreign exchange reserves ›uld thus become a fixed fiduciary issue in the intertional monetary system. The assets held by the ›serve Settlement Account would be either gold or ld-guaranteed (foreign exchange and SDRs). The ›serve Settlement Account would earn interest on its ·eign exchange holdings and on SDRs. It would, ɜrefore, be in a position to pay interest to participating ıntries on their imputed holdings of foreign exchange d SDRs.

The operations of a Reserve Settlement Account ›uld be in complete harmony with the principles stated in the outline of the plan for Special Drawing Rights. It would assure the use of all reserve assets in international settlements in a manner equitable to all countries, whether they have a surplus or deficit. The Reserve Settlement Account would obviate the need for guidance, adjustments, and reconstitution of holdings in the administration of the Special Drawing Account. With such a system, no participating country would have any reason for limiting its acquisition of SDRs to any multiple of its cumulative allocations. Thus, the SDRs would, in fact, be a reserve asset without qualifications of any kind as to their use in international settlements—on precisely the same basis as gold, dollars, and sterling. This is of basic importance in an international monetary system in which the growth of reserves in the future will come exclusively from new issues of SDRs. For this reason, the establishment of a Reserve Settlement Account is an essential step in the evolution of the new gold standard.