to build reserves in the form of mutual claims against each other, instead of forcing them to "earn" their international reserves by transfers of goods and services to the less developed countries. The major—and unsustainable—objection against my own proposals in this respect, i.e. the inappropriateness of using liquid liabilities for long term financing, has fortunately been rejected in fact by the officials themselves when they decided to make 70% of the SDR's unrepayable gifts to their beneficiaries.

The lending power associated with SDR creation should instead be used to help—although it would be insufficient to cover fully—the financing of *internationally agreed* objectives, such as (i) development financing (including particularly badly needed contributions to the strengthening of IDA resources), (ii) the support of price stabilization programs for primary products, (iii) the offsetting of destabilizing, but reversible, short-term capital movements among major money markets (as contemplated in the IMF General Arrangements to Borrow), and (iv) other, and more traditional, forms of assistance by the IMF to agreed monetary stabilization policies of member countries.

While the ratification of the present SDR draft agreement should not be made conditional of such an amendment, valid objections to the present allocation system could be overcome by unilateral declarations of intention by the major developed countries to earmark for such purposes an amount of resources equal to the SDR's allotted to them.

(*b*) Advantage should be taken of the SDR's creation to initiate a new policy of decentralization of the IMF machinery, taking into full account the opportunities for regional monetary cooperation arising from the formation of economic unions or trading groups in various parts of the world, including at some future time—in spite of the present setback in Czechoslovakia—the encouragement of a reintegration of the COMECON countries in the international monetary and trading community.

These recommendations received considerable support in the subsequent Subcommittee report of December 6, 1967. The recommendations unanimously made in this report should be repeated and integrated with those of the present report.

2. The history of the present negotiation should lead also to an urgent and agonizing reappraisal of the negotiating format and techniques that are responsible in part for the slow progress of such negotiations and the bizarre reversals of so-called national negotiating positions that contribute to their often disappointing results.

3. These additional suggestions are discussed further in the accompanying paper on "An Agreed International Monetary Standard" and on "International Economic Policy Issues in 1969" (NICB, New York, September 19, 1968), which addresses itself mainly to the U.S. and U.K. balance-of-payments problems and policies.