"back" the SDR's. Their acceptability rests entirely on the participant's commitments to accept them and on their knowledge that all other participants will actually accept them in payment for convertible currencies, their own or that of the payor or that of a third country.

If the plan is ratified and activated, it can provide for adequate annual increases in total monetary reserves. The international monetary system will no longer depend on uncertain gold production, unreliable gold supplies from the Soviet Union, or erratic private demand for gold, nor on deficits of reserve-currency countries, reserve needs of other deficit countries, or the willingness of surplus countries to accumulate reserve currencies. At last, there will be some rationality in the creation of reserves. Contrary to some misgivings that inflationist attitudes will prevail in the decisionmaking about the creation of SDR's, it seems more probable that decisions will err on the side of excessive caution.

The future of SDR's—assuming ratification and activation of the scheme—looks bright. Whether gold and reserve currencies remain ingredients of national monetary reserves or whether they will be replaced by deposits with a Conversion Account, the share of SDR's in total reserves is going to increase from year to year. It may not be long before SDR holdings will be the most important part of thee monetary reserves of the world.

ONE DOWN, TWO TO GO

The new scheme has not been developed as a boon to any particular country or group of countries. It is a truly cooperative and collective arrangement to help all. The men who have long labored on it, and have patiently and skillfully steered the negotiations to a happy end, deserve our thanks.

My only regret is about the single-mindedness with which the experts have devoted themselves to solving the problem of liquidity, leaving the other two problems, of adjustment and confidence, unsolved and almost untouchable. This single-mindedness has left the international monetary system in a terrible mess.