The Proposed Amendment was then submitted to the member governments for formal ratification.

In the United States, the National Advisory Council on International Monetary and Financial Policies prepared a Special Report on the Proposed Amendment which Secretary Fowler transmitted to the Congress on April 26, 1968. President Johnson addressed a Special Message to the Congress on April 30, 1968, entitled *Strengthening the International Monetary System*, recommending approval of the Amendment and authorization of participation by the United States in the Special Drawing Rights facility. The House of Representatives approved the necessary legislation on May 10, 1968, by an overwhelming majority of members of both parties, and the Senate on June 6, 1968, by a voice vote. The United States became the first member of the Fund to complete acceptance of the Proposed Amendment and certification of participation in the facility.

Special Drawing Rights will not be created until the Amendment has been ratified and "activation" is decided upon by the participants in the new facility. To assure that there is a very wide consensus among the members of the plan as to the amount of Special Drawing Rights to be created, a decision to activate must be approved by an 85 percent weighted vote of the participating members of the Fund.

An excessive addition to international reserves could give some impetus to world inflationary pressures. However, a deficient supply of world reserves can create a difficult and persistent strain on the international monetary system. When there is no increase in global reserves, one country can add to its reserves only at the expense of some other country or countries. The resulting competition for reserves can lead to an escalation of world interest rates, and to a cumulative spreading of restrictions on international transactions, as countries try to protect their existing levels of reserves or make additions to their reserves. It is already clear that few countries are prepared to look with equanimity on any sizable or prolonged reduction of their reserves, even when these reserves have grown substantially in recent years, as is the case in continental Western Europe. These are some of the considerations that will be taken into account in the initial decision as to activation of the Special Drawing Rights.

It is very clear, however, that despite a general beneficial effect on the equilibrium of the monetary system as a whole, the Special Drawing Rights will not remove nor even appreciably modify the need to achieve equilibrium in the balance of payments of individual countries through appropriate adjustment policies. While Special Drawing Rights can moderate the extreme severity of balance of payments pressures that would occur in the absence of any reserve creation, the process of adjustment of international balances remains one of the