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INTERNATIONAL MONETARY FUND

WASHINGTON, D. C.

ANNUAL REPORT

1953

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INTERNATIONAL MONETARY FUND

ANNUAL REPORT OF THE EXECUTIVE DIRECTORS FOR THE FISCAL YEAR ENDED APRIL 30, 1953

WASHINGTON, D.C.

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INTERNATIONAL MONETARY FUND

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H. Merle Cochran
Deputy Managing Director

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LETTER OF TRANSMITTAL
TO THE BOARD OF GOVERNORS

July 1, 1953

My dear Mr. Chairman:

In accordance with Section 10 of the By-Laws of the International Monetary Fund, I have the honor to present to the Board of Governors the Annual Report of the Executive Directors for the fiscal year ended April 30, 1953. As in previous years, the Report also includes references to developments that occurred and information that has become available between the end of the fiscal year and the date of this letter of transmittal.

Yours sincerely,

/s/

IVAR ROOTH

Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

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I

The World Payments Situation, 1952-53

DESPITE the downward trend in world trade that became evident early in 1952, the world payments position for the year as a whole showed a much better balance than in 1951. The progress toward a better balance, which could be observed in 1950 prior to the outbreak of hostilities in Korea, had appeared to be seriously threatened by the series of events which was then initiated. Many countries then again found themselves in serious disequilibrium and their foreign exchange reserves were falling rapidly. In the latter part of 1952, however, there was a significant recovery, and by the beginning of 1953 many countries had again achieved balance, or at least had substantially reduced their deficits. While some countries still had considerable deficits in their balances of payments, these were to a large extent the result of special factors—sometimes defects of policy—affecting individual countries.

The same series of events was also responsible for widespread distortions in domestic demand. In most countries these, too, tended to disappear by the early months of 1953. A worldwide reaction to the speculative inflationary boom that had followed the outbreak of fighting in Korea was showing its effects in certain industries early in 1952. The building up of excessive inventories, notably of textiles, was followed by a fall in demand which led to some sharp contractions of production. By early 1953, excess inventories had to a considerable extent been worked off, and, though the impact of defense expenditures was still an important factor, demand and production were returning to more normal levels.

Trends in World Trade

The widespread payments crisis at the beginning of 1952 affected particularly the raw material exporting countries. Most of these countries had benefited greatly from the raw material boom that followed the beginning of the Korean war. Increased export earnings meant increased foreign exchange reserves and higher levels of money income. This caused further expansion of their demand for imports of consumers' goods, and gave opportunities to press forward with ambitious investment programs. But imports continued to expand after the raw material boom had subsided, export proceeds began to decline, and the consequences of a very rapid depletion of reserves had to be faced. The usual response to this situation was the imposition of more stringent import restrictions.

The price movements that were important in these developments were by no means uniform, and the timing of the boom and subsequent recession varied from country to country. The preceding outline gives, however, a fairly accurate picture of the course of events in many countries in widely divergent situations.

The United Kingdom and France had also been faced with payments difficulties in the winter of 1951-52, and the authorities in both these countries felt obliged to intensify import restrictions. The United Kingdom is an importer rather than an exporter of raw materials, but through the accumulation of sterling balances and subsequent drawings upon them, it was also affected by the fluctuations in export earnings and in import demand in many parts of the sterling area. In the United Kingdom itself, although the continuance of domestically generated inflationary pressures also contributed to increased imports, the trade deficit in 1951 was made worse by the adverse movement of its terms of trade. The import restrictions imposed in the United Kingdom from November 1951 were supplementary to corrective measures initiated at the same period in the monetary field. The payments crisis in France was mainly the result of the continuance of inflationary forces, which impeded the development of French exports. These forces were, in large part, due to the burden imposed by the Indo-China war.

The measures taken to correct the widespread payments imbalances and the reduction of excessive inventories led to a sharp contraction of the value of world trade in 1952 (Table I),

TABLE I. INDICES OF VALUE OF WORLD TRADE, BY REGIONS [1]

(1951 = 100)

	Exports					Imports				
	1952				1953	1952				1953
	I	II	III	IV	I	I	II	III	IV	I
World[2]	102	94	87	97	—	105	99	91	95	—
United States[3]	108	100	80	90	85	101	95	92	101	102
Canada	106	119	117	126	97	94	109	107	115	105
Latin America	92	87	87	94	—	103	100	85	83	—
United Kingdom	115	98	90	98	97	101	94	81	81	84
Overseas sterling area[4]	91	83	79	87	—	115	100	85	81	—
Continental OEEC	103	97	91	104	94	108	98	90	99	95
All other	98	88	87	94	—	113	107	102	108	—

[1] Based on data from International Monetary Fund, *International Financial Statistics*, and U.S. Department of Commerce, Business Information Service, International Trade Statistics Series.
[2] Not including the trade of U.S.S.R., China (Mainland), Bulgaria, Czechoslovakia, Hungary, Poland, Rumania, and Eastern Germany. Excluding U.S. exports under Military Defense Aid Program.
[3] Excluding exports under MDAP.
[4] Sterling area excluding the United Kingdom, Iceland, and Ireland (exclusive of the six counties of Northern Ireland).

and by the third quarter the value of world imports was some 10 per cent less than a year before. The fall was greatest in the sterling area, the group of countries which had suffered the greatest decline of reserves at the beginning of the year. But the decrease was also sharp in the continental OEEC countries, whose reserves had, in general, been rising at the end of 1951. The United States, where for the most part inventory adjustments had been made earlier, did not contribute markedly to the decline in imports. While the value of U.S. imports did indeed fall between the first and the third quarter of the year, the decline was due mainly to price factors, and to some extent to seasonal influences. For 1952 as a whole, the volume of U.S. imports was 5 per cent greater than in 1951, but much of this was due to a sharp increase in the last quarter of the year. Canadian imports rose throughout the year.

If the general fluctuations in trade are examined from the point of view of exporting countries, the abrupt decline in exports during the first three quarters of 1952 is seen to have been heavily concentrated upon the industrial countries. The exports of the United States, the United Kingdom, and the continental OEEC countries in the third quarter of 1952 were about 20 per cent less than in the last quarter of 1951. The greatest proportionate decrease was in U.S. exports (excluding military-end items). This was partly seasonal, but it was also a development to be expected, since the expenditure in the United States of dollar balances acquired in the boom following the outbreak of the Korean war had been an outstanding feature of world trade in 1951. The fall in U.K. exports was almost equally sharp, partly because of the close trading associations with sterling area raw material producers, who had suffered the sharpest declines of export income. But it was also due in part to the importance of the United Kingdom's textile exports, the sector which was most seriously depressed in 1952, and to the reviving competition of Germany and Japan. Such further declines as were recorded in the exports of the raw material producing countries were, on the whole, merely the result of the general downward tendency of raw material prices.

These declines in trade gave rise to some apprehension that they might lead to further progressive deterioration. However, in practically all regions the value of trade rose more than seasonally in the last quarter of 1952. The imports of the raw material producing regions continued to fall in that quarter, but this movement was tapering off as the adjustments which these regions were making to their changed terms of trade approached completion. In the first quarter of 1953 there were some declines in exports, particularly from the continental OEEC countries, but the greater part of the distortions initiated by the outbreak of hostilities in Korea had been eliminated.

U.S. Balance of Payments

The most significant statistical evidence of the improvement in the world payments position in 1952 is the balance of payments of the rest of the world with the United States. Excluding military aid shipments, the U.S. surplus with all countries on account of goods and services and U.S. private donations and capital movements in 1952 was about half of what it had been in 1951. In the second half of 1952, the U.S. surplus on these items had disappeared.

The gold and dollar holdings of countries other than the United States (Table II) began to increase in the second quarter of 1952, and the rise continued during the remainder of the year; for the three quarters, the increase amounted to nearly $1.5 billion. The contrast with the earlier downward trend was greatest for the sterling area. Sterling area holdings, which had amounted to $5.1 billion at the end of June 1951, reached a low of $3.1 billion in June 1952, but by March 1953 they had risen to $3.6 billion. The holdings of the continental members of the OEEC, which in 1951 had increased by nearly

TABLE II. GOLD AND DOLLAR HOLDINGS OF COUNTRIES OTHER THAN THE UNITED STATES [1]

(In millions of U.S. dollars)

	Increase (+) or Decrease (−)							Holdings at end of March 1953
	1951	1952	1952				1953	
			I	II	III	IV	I	
Western Europe (excluding U.K.)	+291	+1,255	+133	+403	+557	+161	+205	8,575
Sterling area	−685	−494	−577	−62	+39	+102	+342	3,588
Canada	+169	+305	+57	+182	+41	0	−56	2,431
Latin America	−95	−4	+5	−65	+37	+11	+163	3,527
All other	+398	+140	+127	+42	−3	−32	+129	3,123
Total	+78	+1,202	−255	+500	+671	+242	+783	21,244

[1] Based on data from Board of Governors of Federal Reserve System, *Federal Reserve Bulletin*, March 1952 and March 1953. Dollar holdings represent official and private balances reported by banks in the United States, and include deposits, U.S. Government securities maturing within 20 months after date of purchase, and certain other short-term liabilities to foreigners. These figures are not in all cases identical with those recorded by other national authorities.

$300 million, in 1952 rose further, by $1.3 billion, and by the end of March 1953 they were $8.6 billion. The increases were particularly large in the Netherlands and Germany. U.S. gold holdings, on the other hand, after rising steadily in each quarter from June 1951 to June 1952, when they totaled $23.5 billion, then began to fall slowly, and by April 1953 were down to $22.6 billion.

The movement toward a more balanced position was aided considerably by developments in the United States, where, indeed, at certain periods during the past year the continuing high level of demand contrasted with the declining demand in many other countries. The rapid building up of U.S. defense expenditures continuing into early 1952 was an important factor, but, despite higher taxes and a high level of savings, there was also a steady rise in personal consumption expenditures, which accelerated in the latter part of the year. Unemployment in the United States remained consistently low, averaging less than 3 per cent for 1952 as a whole. Production expanded greatly in late 1952 and early 1953, at a rate not much less than that recorded immediately after the outbreak of the Korean war. Also, the U.S. Government purchased a large amount of goods and services abroad primarily for U.S. overseas forces.

The broad picture presented here may appear not to take proper account of the still very acute payments difficulties of particular countries. The improvements registered for some countries were to a certain extent merely the counterpart of deterioration elsewhere. One distinguishing feature of the year 1952 was the persistence of acute individual country problems at a time when the broader world-wide problems appeared to be easing. Especially in some of the raw material producing countries, the inflation that followed the outbreak of the Korean war had raised imports to a level which made extremely painful the subsequent adjustments required by a return to a more normal demand for exports. In theory, the necessity for these adjustments might have been avoided by prompt anti-inflationary measures during the boom. Much was in fact done in this direction, in particular by the imposition of temporary export duties and similar measures. But in the inevitable uncertainties of the time, the complete neutralization of inflationary pressures would have required from the raw material producing countries a resolution on the part of governments and an assurance of support from the general public which could not reasonably have been expected. The subsequent adjustment to a much lower level of imports was inevitably difficult, and has threatened to interrupt the progress of the development plans to which many of these countries are committed. Some of the more important individual country problems will be examined below.

Movement Toward a Balanced Payments Situation

The general improvement in the world balance of payments position was due, to some extent, to reactions from previously exaggerated movements. Speculative buying gave way to more normal spending habits, and the widespread inventory accumulations attempted in the first year after the Korean outbreak were followed by efforts to reduce inventories as traders discovered that their expectations were not well-founded. With large inventories in the hands of traders and of consumers of semidurable goods, such as clothing and furniture, some downward price adjustment was to be expected.

Readjustments such as these would, however, have been insufficient by themselves to produce the changes that actually occurred in 1952. Policy decisions in two different fields played a much more decisive role. The more stringent import restrictions that were widely imposed in many countries had the immediate short-run effects that were expected of them. But these measures left the fundamental problems of the restricting countries still to be dealt with. Sometimes the restrictions produced their effects merely by reducing inventories of imported raw materials and other goods, and threatened to make the positions of other countries worse. The cessation of a drain upon reserves, or even an increase in reserves, which was merely the result of more stringent restrictions, could not be interpreted as a sign that the balance of payments equilibrium that had been established had any real stability, and that restrictions could safely be relaxed.

The increasing use in many countries of monetary and fiscal policies, the purpose of which was to keep both consumption and investment demands within the limits set by the resources available, had a much more direct bearing upon the prospects for fundamental improvements in balances of payments. The increasing attention paid to instruments of credit policy that had long remained unused was already an important element a year ago, when the 1952 Annual Report was written; it will be examined in greater detail in a later chapter of this Report. Last year the cautious position was taken that "where stability has been temporarily attained, the measures taken have often been insufficient to ensure that they will be permanent. The main test of stabilization policy will come when rearmament expenditures reach their maximum." The downward trend of prices, at the time when stricter credit policies began to be more widely applied, no doubt helped to reinforce their effects. The supply position outside the dollar area has also improved on the whole, as a result in part of the abatement of inflationary pressures. The record of the past year, however, has given impressive evidence of a widespread determination to adhere to monetary policies more restrictive than had been usual since the end of the war, and of the improvements, both internal and external, that have attended the adoption of these policies. It would be rash to take it for granted that the battle against inflation has now been won. Stability will not be assured unless monetary measures are backed by firmer budgetary, fiscal, and wage policies than have been possible so far in some countries, and which would ensure that the investments of governments and government agencies are kept in proper relation to the resources available. It is, however, significant that in many parts of Europe the inflationary impact of rising defense expenditures was kept in check throughout 1952.

In 1952, as in 1951, over-all inflationary tendencies were, as a rule, stronger in the raw material producing countries than in the industrial countries. Few of them, however, showed significantly higher prices at the end of the year than at the beginning; in these cases—for example, in Brazil, Chile, and Uruguay—the effects of industrialization programs and, in some of them, of the reduced availability of imports, offset the effects of general world price tendencies. In northern Latin America, stable export proceeds and sound fiscal and monetary policies led generally to price stability. Nearly everywhere in Asia and the Middle East, inflationary pressures were moderated, or completely checked, by the decline in export prices. A firm monetary policy in India enabled that country to maintain relative stability in its index of wholesale prices, which was approximately the same in the first part of 1953 as in 1949, although between these periods the index rose and fell with the movements of world prices of export and import goods. Japan also avoided any significant movement in prices.

The change of attitude toward monetary policy was not something that affected merely the choice of credit and financial techniques. In many parts of the world there has been, for a number of years, a marked disposition to restrict the consideration given to market forces in determining policy. The disrepute into which the price mechanism had fallen was not based merely on prejudice or misunderstanding. Experience had shown that it could not always, or in all circumstances, be trusted to ensure satisfactory or sufficiently speedy results. More recently, however, it has also become increasingly clear that, if the price mechanism is neglected, new and intractable problems soon arise. Many people have become weary of the atmosphere of constantly recurring crisis which often seems, in practice, to be closely associated with excessive confidence in direct controls of economic activity. There has therefore been a growing willingness to extend the freedom of operation allowed to market forces, which for several years had been much restricted.

Position of Individual Countries

In view of the divergent nature of the problems with which individual countries are now faced, any general picture of world conditions should be supplemented by a survey of their different positions. An exhaustive examination of this kind cannot be attempted here, but some brief comments will be made on the positions of a number of countries which have special interest; additional comments are given in Chapter V.

The contrasts between individual countries are particularly clear and important among the members of the European Payments Union. In 1952 the cycle of trade in Europe was associated with the first definite check to the growth of industrial production there since the end of the war (Table III). In the

TABLE III. INDICES OF INDUSTRIAL PRODUCTION IN OEEC COUNTRIES COMBINED

(1950 = 100)

	General Index				
	Including Germany	Excluding Germany	Textile Industries	Basic Metal Industries	Metal Products Industries
1938	82	76	89	–	77
1948	80	86	80	79	80
1949	91	93	89	92	91
1950	100	100	100	100	100
1951	110	108	104	116	113
1952	111	107	93	123	120
1953 (first quarter)	113	110	100[1]	–	–

Source: Organization for European Economic Cooperation, *Statistical Bulletin.*
[1] January and February.

immediately preceding years, industrial production had been expanding in the EPU countries at an annual rate of about 10 per cent. In 1952, the increase was only 1 per cent, and if Germany is excluded there was a decline of 1 per cent in the industrial production of the region. This movement had been foreshadowed by a downturn in textile production during 1951, which was intensified by the reduction of export demand in 1952, when textile output fell by 12 per cent. The output of industries producing capital equipment, on the other hand, rose during 1952 by 5 or 6 per cent. By the end of the year, when inventory adjustments were completed, textile production was recovering, and the general index of industrial production was higher than at the end of 1951. In general, the decline in industrial production in Europe was not accompanied by any large increase in unemployment.

For EPU the financial year 1951-52 had been marked by difficulties arising mainly from the persistence of the Belgian creditor position. In July 1952, when the Union was prolonged for another year after agreement for a settlement of the accumulated Belgian claims, many feared that this situation would continue to present a difficult problem for the EPU in the next financial year, 1952-53. However, higher imports and a declining European demand for Belgian exports, owing in part to the deliberalization measures and disinflationary policies of other EPU countries, kept the Belgian EPU account close to equilibrium throughout the year.

The problem of extreme creditors in the EPU has, however, not vanished. The Netherlands and Germany have at certain points of time reached the limits of the credit quota extended by them to the Union. The increasing strength of the West German economy has been an outstanding feature of the last year. In the phase of declining trade, German imports fell much less than those of other European countries. German exports increased steadily in 1952, though there was some check to their expansion in the early part of 1953. These developments are no doubt attributable in large part to the lateness of German recovery after the war. It is unlikely, however, that the continued growth of German exports in a period of generally declining world trade would have been possible except in the context of cautious monetary policies and balanced government budgets.

The main practical difficulty for the working of the EPU in 1952-53 came from the debtor countries. France and the United Kingdom, which had already accumulated considerable deficits, were forced during the year 1951-52 to reintroduce many of their import restrictions. This meant a partial reversal of the movement toward European trade liberalization which had been introduced in 1950, and which is one of the chief objectives of the EPU. This system aimed in the first instance at freeing from quantitative restrictions trade in commodities which in 1948 had formed 75 per cent of total imports on private account from other OEEC countries. By measures taken at the end of 1951, the United Kingdom reduced its percentage of liberalized imports to 44, and France from early 1952 again subjected all OEEC imports to quantitative restrictions.

The more severe import restrictions in France were largely responsible for the sharp decline in French imports in the first three quarters of 1952. Exports also fell considerably, despite increasing efforts to assist them by rebates of taxation and social security charges and by other special privileges. In the last quarter of 1952, however, there was some recovery in French exports.

In the United Kingdom the over-all current account balance of payments (exclusive of defense aid), which was in deficit to the extent of £402 million in 1951, showed a surplus of £170 million in 1952. More than half of the improvement in the trade balance was, however, the result of improvement in the U.K. terms of trade. One interesting indication of the growing strength of sterling was the movement in the rates quoted in third markets for transferable account sterling and security sterling. At the beginning of 1952, the rates for the former were generally around US$2.40 to the pound, equivalent to a discount of about 14 per cent. By the end of the year, the rates had moved to around $2.73 to the pound, a discount of less than 3 per cent. Rates for security sterling moved from $2.37 to $2.64 to the pound. The reopening of and gradual extension of freedom in U.K. commodity markets has also created possibilities for the further development of nondiscriminatory trade.

The volume of U.K. imports fell sharply in 1952, being 17 per cent less in the second half of 1952 than they had been a year before. This was the outcome of the restraints placed upon inflation and the fall in manufacturing production (by 4 per cent), as well as of the imposition of more stringent import controls. With a reversal of the decline in manufacturing production, some increase in the volume of imports is to be expected. The moderate disinflation in the United Kingdom led to little redistribution of labor toward the export industries, but rather to arrangements for temporary lay-offs and short-time working. This immobility, associated with continuing shortages of specialized materials and of suitable capacity, hampered the expansion of export industries. There was no substantial increase in employment in the metal-using industries as a whole, but there was a significant shift of manpower within the group toward those producing heavy capital equipment (for which there is a ready market) and armaments.

The revival of restrictions by some EPU members had a considerable effect on intra-European trade, which naturally was much sharper for some countries than for others. For some countries, especially Italy, the pressure was reaching a critical point at the end of the winter of 1952-53. The tendency was for restrictions to be most severe on textiles, fruits, and vegetables, which are normally an important part of Italian exports. In 1952 Italian exports to the United Kingdom were approximately half of what they had been in 1951, and exports to France fell by 35 per cent. There was a danger that Italy, whose liberalization achievements had been outstanding, would have to revert to restrictions, which might have produced a chain-reaction effect. The situation was somewhat alleviated by the British decision in March 1953 to liberalize its European imports to the extent of 58 per cent; included in the liberalized list of imports were a number of Italian products. Germany subsequently increased its liberalization percentage to 90, and the Netherlands to 92.

As exporters of timber and wood pulp, Finland, Norway, and Sweden participated more directly than other European countries in the general raw material boom and subsequent decline. Their exports had expanded rapidly in 1951, and the subsequent decline in 1952 was sharper than the average for Western Europe. This change was due primarily to price movements; the index of Swedish wood pulp prices, for example, after a rise to 240 (1950 = 100) in the first quarter of 1952, thereafter declined to 127 in the fourth quarter. The swing in export proceeds led to more severe import restrictions in Finland. In Norway and Sweden the expansion of imports had been sufficiently moderate for this to be avoided.

The pattern of trade restrictions in Europe became rather uneven during 1952-53. Italy, Belgium, Switzerland, Sweden, Germany, the Netherlands, and Portugal more than fulfilled their obligation to liberalize 75 per cent of their EPU trade. This obligation was also met by Denmark and Norway. The United Kingdom intensified restrictions on its imports, but subsequently relaxed them to some extent. France and Turkey suspended the measures of liberalization that they had previously adopted. The divergences between the strength of EPU members with full use of their quotas have thus widened somewhat. Both Austria and Greece, however, whose special positions in EPU on account of structural deficits had to be financed by special U.S. aid, have shown considerable improvement. (The stabilization policies adopted in these two countries are reported in Chapter V of this Report.)

In most of the major countries in the overseas sterling area, the raw materials boom after the outbreak of the Korean war was followed by a recession and at least a partial recovery, although the timing and intensity of the changes were not uniform. The accumulation of sterling balances by the dependent territories continued in 1952, though at only half the 1951 rate. This movement contrasts sharply with the position of the independent members of the British Commonwealth, whose sterling balances were run down rapidly in the first half of 1952. Subsequently, sterling balances increased for both the dependent territories and for the rest of the sterling area as a whole, though there were further significant decreases in Ceylon and Pakistan.

The position of Pakistan was especially affected by the sharp fall below pre-Korea levels in the prices of its main exports, jute and cotton. The price-support programs financed by the Government led to a considerable accumulation in the middle of the year of stocks of both jute and cotton. When it later became evident that there was no chance of world prices recovering to the support levels, the Government began to sell its stocks at reduced prices. Exports accordingly rose again in the last quarter, and Pakistan's trade position improved, though the lower level of export prices meant that at the end of the year its payments position was considerably weaker. Prospects for exports were improved materially by the conclusion in March 1953 of a trade agreement with India.

Trade developments in Egypt, for which cotton prices have special importance, were similar to those of Pakistan. The Government attempted to resist the movement of world prices, cotton stocks were accumulated, and, as export prices fell, export proceeds of course fell even more sharply. The abandonment of this policy in the second half of the year led to a substantial recovery of exports, but the lower prices left the balance of payments in a precarious position. In late 1952 additional restrictions were imposed on imports, and the recorded import figures for the first quarter of 1953 showed a sharp decline.

In Cuba, whose reserve position is still strong, the development of the trade balance contrasted with the general trend in many other Latin American countries. During 1952, a record sugar crop in Cuba and the attempts of some purchasers of sugar to shift their demand from Cuba to non-dollar sources caused a sharp drop in prices and in the volume of Cuban sugar exports. The prospects, however, improved greatly in April 1953, with the conclusion of agreements with the United Kingdom and Germany.

In some of the Latin American republics that had been in balance of payments difficulties at the beginning of the year, deficits were eliminated during 1952. Brazil, however, had registered a record import surplus for the year 1952, though the high monthly trade deficits incurred up to July were considerably curtailed in the later months of the year. But this improvement was achieved almost wholly by restrictions, and arrears in commercial payments to a number of countries continued to accumulate.

After a rapid increase in 1951, Japanese commercial exports suffered a setback in 1952; for the year as a whole, their total value declined, and in the second half of the year was lower than in the first. While dollar exports were tending to increase, sterling exports declined for the year as a whole; in the second half of the year, there was a serious setback which resulted in a substantial decline of sterling holdings. Japanese imports remained high, with a general tendency to increase. Japan was not, however, in balance of payments difficulties in 1952, and her dollar exchange in U.S. banks increased considerably. This favorable situation was due, above all, to abnormally large "invisible" receipts from U.S. expenditures and the U.N. armed forces. Japan's dollar position thus remained favorable in early 1953.

II

The Residual Dollar Problem

THE persistent tendency toward a surplus in the United States balance of payments has been one of the main preoccupations in the field of international finance since the end of World War II. According to the official U.S. balance of payments statistics, the surplus had disappeared in the second half of 1952, when the United States had a small deficit with the rest of the world in respect of commodities (excluding specially financed military-end items), services, private donations, and U.S. private capital movements. It is particularly noteworthy that the regions which had been the main recipients of U.S. aid in the postwar period—the United Kingdom, the countries on the continent of Europe, and their dependencies—showed a small surplus with the United States (Table IV).

There had been a similar situation two years before, in the second half of 1950. The deficit in the U.S. balance of payments with all countries, measured as in Table IV, was indeed much larger then than in the second half of 1952. But a large part of the difference was due to substantial private, and to some extent speculative, capital movements from the United States to Canada in 1950, which had little bearing on the general problem of balance in world payments. The surpluses which other areas had with the United States in the latter half of 1950 proved to be transient, related particularly to the different timing of responses in different parts of the world to the outbreak of Korean

TABLE IV. PAYMENTS BALANCES [1] OF SELECTED REGIONS WITH THE UNITED STATES

(In millions of U.S. dollars)

	1950	1951		1952		1953
	2nd half	1st half	2nd half	1st half	2nd half	1st quarter[2]
United Kingdom[3]	+138	−29	−360	+26	+38	+156
Other Western Europe	−113	−668	−691	−635[4]	+156[4]	−12[4]
U.K. dependencies[3]	+170	+293	+188	+230	+121	+236
Other Western European dependencies	+29	+27	−14	+51	+60	+58
Rest of sterling area[3]	+147	+169	−314	−287	−77	−128
Canada	+448	−186	−64	−211	−199	−258
Latin America	−14	+42	−674	−81	−47	+328
All other countries	+232	+20	+37	−9	+102	+98
All areas	+1,037	−332	−1,892	−916	+154	+478
Errors and omissions	−85	−337	−199	−549	−47	+26
Total	+952	−669	−2,091	−1,465	+107	+504

Source: U.S. Department of Commerce, *Balance of Payments of the United States, 1949-1951*, and *Survey of Current Business*, June 1953.

[1] On account of goods and services (excluding military-end-use items financed through grants under U.S. military aid programs), private donations, and movements of U.S. private capital.

[2] Semiannual rate.

[3] Balances for sterling area countries exclude "special category" imports bought for cash; these are included instead in other areas. These imports amounted to $39 million in the second half of 1950, $47 million in the first half and $66 million in the second half of 1951, $78 million in the first half and $79 million in the second half of 1952, and $31 million (semiannual rate of $62 million) in the first quarter of 1953.

[4] Finland, Spain, and Yugoslavia are included in All Other Countries in 1950 and 1951, and with Other Western Europe in 1952 and 1953.

hostilities. Although there are still important temporary elements in the current balance of the United States, the improvement in 1952 appeared in some respects to be more securely based than that of 1950; in the second half of 1952, there were no such movements of U.S. private capital as occurred in 1950, and there have been only minor fluctuations in U.S. imports in recent quarters.

Temporary Elements in the Current Balance

The approximate balance achieved at the end of 1952, however important as a stage in the adaptation of the world economy to postwar conditions, cannot be taken as indicating that there is no need for further concern about the problem of the balance of payments of the rest of the world with the United States. Some of the elements that have helped to establish this balance are more or less temporary. It cannot be expected that the continued operation of the same forces that have produced the improvements observed in 1952 will by itself suffice to ensure the ultimate disappearance of the dollar problem. Ever since the end of World War II, structural adjustments have been going on in the pattern of international trade. These adjustments are in response to continuous changes in the underlying conditions of world supply and demand, as well as to such sharp interruptions in the normal order of development as have been imposed by the disruption caused by the war and the subsequent deep political cleavages that have cut off much of the traditional flow of trade in both the West and the East. Adaptation to all these changes is still far from complete. Thought has to be given to further measures which will carry it further, and thus, in a more fundamental way, finally eliminate the dollar problem.

The first and probably the most important qualification to be noted in interpreting the record of the last year is an account of the increase in purchases of goods and services in Europe and the Far East by agencies of the U.S. Government. These expenditures have included expenditures on stockpiles of strategic materials, amounting in 1952 to around $800 million, and increasing amounts expended directly for the U.S. armed forces. There have also been military offshore purchases of commodities which were then donated by the United States as part of its military aid, and considerable amounts for the construction of air fields and other military installations. Total purchases by the U.S. Government abroad in 1952 under these various headings amounted to $2.5 billion—or enough to pay for one sixth of all U.S. exports—against $1.5 billion in 1951. While, for the immediate future, payments of this kind may be expected to continue—and some of them may even increase—a considerable reduction must be anticipated for the somewhat longer run. A high level of offshore purchases is obviously no permanent substitute for a high rate of commercial imports.

A second relevant consideration is the degree of restriction on imports from the dollar area still imposed by countries with inconvertible currencies. The "dollar gap," as measured by balance of payments statistics, does not, of course, include the potential demand for dollar commodities that would be released by the removal of these restrictions. There is no way of measuring the size of this suppressed demand; it ought, however, to be considered in estimating the magnitude of the changes required to make possible a convertible world. There is perhaps some tendency to overestimate the present extent of this suppressed demand. The actual restrictive effects of nominally severe import restrictions imposed in an emergency situation are likely to diminish if disinflationary policies adopted either at the same time or at a later date relieve the pressure of total demand. In this connection it may be noted that the restrictions on imports imposed by the United Kingdom late in 1951 and early in 1952 did not lead to any general reduction of the inventories of imported goods. The level of demand appeared to have fallen more or less in line with the reduction in permitted supply, so that on balance there was probably little increase in repressed demand. Also, the restrictions placed on dollar imports by a few countries that are attempting, by general import restrictions, to correct over-all balance of payments deficits are not so much an aspect of the dollar problem as a reflection of the particular difficulties of the countries concerned. Their dollar restrictions will tend to disappear as these countries approach a solution of their over-all problems. Furthermore, a number of other indications, including a tendency for the premiums on dollars usable for free imports to fall and for the price differentials paid for soft currency cotton to contract, suggest that in many European countries the potential demand for dollar imports held back by restrictions on dollar imports is no longer as large as it used to be. On the other hand, some important demands are certainly now being satisfied by non-dollar goods that would be transferred to dollar markets if there were no restrictions on dollar trade, quite apart from any speculative demands that might arise after restrictions had been removed, if the general public were not convinced that the change in policy was lasting.

Some of the reduction in the demand for dollar goods has no doubt been due to reduced activity in certain industries in Europe and elsewhere. It should not be taken for granted, however, that the revival of industrial activity will completely reverse this trend. The generally favorable supply situation for raw cotton may check any revival of the demand for U.S. cotton which fell in response to the decline in the output of cotton textiles. If Western European coal output increases, the decline in European imports of U.S. coal should be permanent.

Solutions of the Residual Dollar Problem

The world's residual dollar problem as a whole is wider than the issues arising from the balance of payments difficulties of other countries with the United States. But in relation to dollar earnings and dollar payments, commercial relations with the United States have overwhelming importance. It will therefore be found, as a practical matter, that any measure which is to make a substantial contribution to the solution of the residual dollar problem will either diminish the total value of U.S. exports of goods and services, increase the total value of U.S. imports of goods and services, or make provision by international capital movements for the continuance of a U.S. surplus on commodity and services account.

In earlier Fund Reports, attention has been repeatedly directed to several fields of policy, action in which would produce appropriate results under one or more of these headings. It is still of great importance that in these fields—for example, the maintenance of a high level of activity and employment in the United States, and the combating of inflation, particularly in Europe—there should now be no retrogression. The secular trend toward rapid expansion in the U.S. economy may be expected to continue; but under present circumstances, further action in these particular fields of policy is not likely to afford much additional help in solving the dollar problem as a whole. U.S. activity has been very high during the past year, and, indeed, apart from the minor recession in 1949, it has been continuously high in the postwar period.

Effective control of inflation has always been an essential condition for the achievement of balance of payments equilibrium, and inflation has by no means ceased to be a problem. In the modern world, there are many forces, both economic and social, that seem likely for many years to come to foster a climate of opinion in which it will always be easy to generate new inflationary forces. There are some countries of major importance for world trade where the control of inflation is still an immediate urgent task. Many countries, however, have already been able to show substantial improvements in both their internal and their external balances, as a result of the adoption during the last year or two of disinflationary monetary and fiscal policies; and in some of them, some relaxation of their restrictive credit policies has been found to be appropriate. Special care must still be taken to ensure that there is no retrogression in this field. Each country always has a clear and direct responsibility for the maintenance of such policies as will, by preserving domestic stability, diminish the danger of serious disturbances in its international economic relations. Nothing that is said about dependence on other countries should be interpreted as an invitation to evade that responsibility.

Direct Dollar Earnings

To prevent any deterioration in the present position, a high level of employment in the United States and the maintenance of proper monetary and fiscal policies in Europe are still of the utmost importance. The significance of an expansion of international capital investment has also been frequently emphasized in this context. The expanding world demand for raw materials which may be anticipated during the next few decades is one of the factors that justify long-range international investment programs. However, for further advances from the present world payments position in the not too distant future, attention has to be directed increasingly to measures which would more directly facilitate the expansion of dollar earnings by the countries which maintain discriminatory restrictions. Something may be expected from the growth of tourist expenditures in these countries, but the problem that demands most careful attention is that of expanding dollar earnings from their sales of export goods.

European countries have made important efforts in the last few years to expand their sales in Western Hemisphere markets, and the advances made have been notable. Exports in 1952 from the OEEC countries of Europe to the United States were twice those of 1949. But there is a limit to further progress along this line as long as U.S. policies with respect to imports of manufactures and of foodstuffs remain unchanged. As U.S. economic aid recedes, the close relationship in practice between the problems of restrictions on imports from the United States and of U.S. restrictions on imports from other parts of the world becomes increasingly clear. It is also evident that, in the solution of these twin problems, freedom of action for the United States is greater than for other parts of the world.

If there were substantial modifications in U.S. commercial policy—such as tariff reductions, the simplification of tariff classifications and customs procedures, liberalization of agricultural quotas and of shipping policy, repeal of "Buy American" legislation, and modification of other practices that at present discourage efforts to expand beyond modest limits the markets in the United States for certain imports—the payments position of the non-dollar world would be substantially strengthened, and the prospects for reducing or eventually eliminating restrictions on imports from the United States would be greatly improved. In earlier days, questions of this sort could be considered merely in terms of tariffs, and the road toward a higher level of world trade appeared to lie through a series of bilateral or multilateral tariff reductions. In the world of today, quotas, exchange restrictions, and other impediments to the movement of goods play a role which is at least as important as that of tariffs. Therefore, if it is to be successful, international action has to operate on a wider front. On this wider front there may be less justification for the rather narrow concept of *quid pro quo* negotiations that used to be considered appropriate. The countries whose currencies are in strong demand would find that a large part of any increase in the amount of their currencies made available through either expanding imports or a larger export of capital would quickly return in the shape of increased demand for their own products. This is most strikingly true of the United States, whose goods are in brisk demand everywhere and whose exports are bound to be purchased in greater quantities if more dollars become available to countries abroad. But it applies to some extent also to other major trading countries. The decision of the United Kingdom in March 1953 to reliberalize, in part, its imports from other OEEC countries not only helps the exports of these other European countries; it may also stimulate a greater demand on their part for U.K. exports.

It is, perhaps, natural that it is in the countries which have recently been applying with considerable success policies which indicate their sense of responsibility for maintaining domestic stability that there is now a disposition to insist even more strongly than in the past upon the complementary part to be played in the establishment of a stable world payments system by the liberalization of the commercial policies of countries whose balances of payments are strong, and in particular of the United States. It is probably true, as has been frequently stated, that even the adoption by the United States of complete free trade would not by itself provide more than a partial solution of the dollar problem. The efforts that are still necessary on the part of other countries are, however, likely to be more resolute and determined if their present fears that the entry of competitive goods into U.S. markets will be impeded can be allayed. As a practical matter, progress toward the Fund's objectives will be slow unless some significant forward step is taken in each of the relevant policy fields. The fact that no step will by itself provide a complete solution is no reason for not pushing forward with it.

In the United States too, there has been a growing recognition during the last year or two of the essential character of the world payments problem, and of the relation of U.S. commercial policy to that problem. A series of public statements has indicated an increasing interest in measures leading to a substantial liberalization of U.S. commercial policy. The U.S. Government has made clear that it is fully aware of the importance of its economic and financial foreign policies in relation to the present world payments situation. The President of the United States has requested the Congress to create a joint commission to undertake a thorough re-examination of the whole foreign economic policy. In making this request, the President said in part: "An inquiry of this nature is imperative. The economic policy of this Nation exercises such a profound influence on the entire free world that we must consider carefully each step we take. Changes in foreign economic policy—even those which at first have relatively slight consequences within this country—may either strengthen our allies or plunge them into a downward spiral of trade and payment restrictions, lower production, and declining living standards. . . . Through increasing two-way international trade and stimulating in every practical way the flow of private investment abroad we can strengthen the free world, including ourselves, in natural and healthy ways. . . . Both we and our friends abroad earnestly desire to see regular trade and investment replace grant assistance." There can be little doubt that the outcome of this re-examination will considerably influence the pace of further movement toward the establishment of a freely operating multilateral system of payments.

Dollar Earnings from Other Countries

Even the most thorough-going revision of commercial policy by the United States would leave some part of Europe's dollar requirements to be financed by multilateral receipts. An expansion of European exports to third markets in replacement of U.S. exports would make an important contribution to closing the Western European dollar gap and thus to establishing a more satisfactory equilibrium in world trade.

The supply of U.S. dollars available to the rest of the world as a result of increased U.S. imports has, since the end of the war, greatly exceeded the prewar supply, although at the same time, partly owing to the disruption caused by the war, the demand for U.S. goods has also greatly exceeded the prewar demand. The largest share in the increase of available U.S. dollars has accrued to other Western Hemisphere countries, a fact which suggests these countries as offering the greatest opportunities for indirect dollar earnings by European exporters. Currently, the United States is buying more than half its imports in Canada and the Latin American republics, an amount which in dollar terms is six times, and in real terms about three times, its prewar imports from these countries. To five of the larger countries, where no problem is presented by currency inconvertibility—Canada, Colombia, Cuba, Mexico, and Venezuela—the United States in 1952 exported manufactures to the value of approximately $3.5 billion, while European exports to these countries were about one third that value. If European exporters had the same share as before the war of the markets of Canada and the Latin American dollar countries, Europe's exports to these areas would be greater by almost $1 billion. European exporters cannot, of course, be expected to supplant U.S. exports in other Western Hemisphere countries, but the scope for additional dollar earnings of this kind may be considerable.

To suggest that, in the present circumstances of the world, the emergence of a stable pattern of multilateral trade would be hastened if third countries were to transfer some of their demand from U.S. to European goods is not at all to imply that such third countries should adapt their buying habits to suit the convenience of European countries which otherwise find it difficult to balance their international accounts. If there is to be any movement in the direction indicated, European producers must adapt their production so as to satisfy at competitive prices the changing demands of their customers in the countries where they wish to earn dollars. The success of their efforts will depend upon a high level of productive and marketing efficiency and ability to make prompt deliveries. If the development programs now being pressed forward nearly everywhere are successful, however, average income levels in countries now usually described as underdeveloped will rise. These countries will produce for themselves many of the goods which in the past they have been accustomed to import. But rising import levels will bring new demands, which could provide new sales outlets for European producers if their production programs are sufficiently flexible.

Developments in Primary Production

Further progress toward a balanced world payments position is also likely to be facilitated by certain trends in primary production which have already begun to make their influence felt, and which should do something to reduce dependence on the dollar area, and particularly on the United States, for essential imports.

Since the end of World War II there has been a substantial recovery in Europe of both agricultural and nonagricultural primary production. By 1951-52, gross agricultural production in western and southern Europe was estimated at slightly more than 10 per cent above the prewar level, a rate of recovery which corresponded closely to the rate of population increase. Output of grain in the OEEC countries in 1952-53 is estimated at some 14 per cent above the prewar level. A substantial part of the increase in cereal output has been in Turkey. Before the war, Turkey's annual exportable surplus of bread grains was approximately 100,000 tons. For the current season, a surplus of around 2 million tons is reported to be in prospect. This is larger than the amount that was available in some years before the war for export from the Danubian area. Coal production in western Europe is still less than in some prewar years, though there has been considerable progress since the period immediately after the end of the war, and plans are in hand for improving the productive capacity of European coal mines.

In cotton there has been a steady trend toward replacement of U.S. imports. Production in the major exporting countries outside the United States in 1952-53 was 70 per cent greater than in 1947-48, an increase equal to more than half the annual average for U.S. cotton exports in the years since the war.

Primary production may be stimulated further if producers receive adequate incentives, and if development programs are worked out with proper regard to world conditions of supply and demand. For example, in Australia and Argentina the prices paid to wheat producers have been considerably lower than the world price, and there has been a tendency for their share of world trade in wheat to fall. Recently, producers in these two countries have been paid prices more in line with the world market price, and it is possible that their share in world trade in wheat will be permanently raised from the low levels of the last two years.

As the development plans of the less developed countries are put into operation, there is reason to expect further expansion of primary production for export. World supplies of certain staple foodstuffs, such as rice, are still inadequate. The Commonwealth Economic Conference of December 1952 emphasized the importance of the development of basic essentials, and affirmed the principle that development in the sterling area countries should be concentrated on projects which, directly or indirectly, contribute to the improvement of the sterling area's balance of payments with the rest of the world. Elsewhere, too, there has been a growing realization of the excessive burden of costs imposed if development makes inadequate provision for expanded production of staple foods and raw materials.

Maintenance of a High Level of Activity

The policies required to reduce still further the magnitude of the dollar problem thus demand appropriate action by the United States, by the other industrial countries, and by the countries that are still in the early stages of development. If action of adequate scope is taken in time, the current dollar situation may gradually improve further in the next few years, even in the face of any decline in U.S. Government expenditure abroad.

While there is ground for cautious optimism with respect to the attainment and maintenance of a rough balance in payments between the United States and the rest of the world, one cannot but be seriously concerned about its precarious character. For many countries the balance would be disturbed by any considerable weakening of the prices of their staple exports. The possibility of a decline in U.S. activity has also caused concern. Even a rather small decline would be likely to cause a much more than proportionate contraction of the supply of dollars provided through U.S. imports, and thus lead to a rapid intensification of the dollar shortage. It will be recalled that the recession of 1937-38 reduced the value of U.S. imports by almost one third.

It should not be assumed that an easing of political tensions which permitted a substantial reduction of defense expenditure would necessarily be followed by any serious contraction of economic activity as a whole in the United States. The U.S. economy has shown a degree of adaptability sufficient to take full advantage of the opportunities for the higher real levels of production and consumption that a relaxation of rearmament pressures would permit. Moreover, there is today a much wider awareness than before World War II of the importance of avoiding recession and, if a recession should occur, of dealing effectively with it. The content of possible anti-recession measures is still sharply debated, but there seems to be general agreement that the maintenance of high levels of production and employment is a major objective of public policy in the United States.

The greater the success of U.S. policy in maintaining domestic stability, the better the prospects for continued progress toward the establishment of a stable multilateral international trading system. However, any sharp downturn would at once bring back the dollar problem in its full severity, despite any action taken by other countries in the meantime to strengthen their positions. Few countries would be willing to attempt to avoid substantial balance of payments deficits by action that threatened to create large-scale unemployment and a serious decline in domestic activity, and it would be difficult to avoid a serious setback to the movement toward an orderly system of free multilateral trade and payments.

With a view to avoiding any such retrogressive movement, it is in the interest of each country to stabilize its domestic economy to the greatest extent possible. National action directed toward domestic stability would have an important stabilizing effect on each country's demand for imports.

It cannot be hoped, however, that domestic activity in all countries will always proceed without a ripple along a smoothly rising trend, and even minor fluctuations in national income or expenditure may have severe effects upon imports. It has often been suggested that a supplementary means of defense against these fluctuations should be sought in multilateral commodity arrangements designed to stabilize the level of commodity prices and also the level of trade. There have been wide differences of opinion about both the principles involved and the techniques to be applied in such arrangements. Their realization is, in any event, likely to encounter many difficulties, and a decision on any specific proposal is no doubt best made by reference to the circumstances of the particular case.

If there is a recession in demand, it will always be necessary to fall back upon the temporary use of reserves to supplement current export earnings. These reserves may be either a country's own reserves, or the reserves held in common by members in the International Monetary Fund. Effective action in such an emergency is one of the principal purposes for which the Fund was established. One of the Fund's most important functions is to assist its members to mitigate the impact of a sharp decline in their foreign exchange earnings upon their ability to maintain a needed volume of imports and a high level of employment.

III

The Movement Toward Convertibility

Monetary Policy

THE improvement in the general payments position described in the preceding chapters was in large measure the result of the return to active monetary policies. This movement, which in some cases had begun in 1951 or earlier, continued in 1952; and some countries which had taken effective action comparatively early have since been able to relax their credit policies somewhat. In general, however, interest rate levels were rising throughout 1952. Even immediately after the war, monetary measures of various kinds were already regarded in some countries as a weapon of major importance in the fight against inflationary pressures. But in many countries a minor role was allotted to monetary policy. Much more reliance was often placed upon a combination of fiscal policies which aimed at substantial budget surpluses on current account, direct controls covering prices and sometimes wages, and the allocation of consumers' and producers' goods. The revival of monetary policy has taken a form somewhat different from the form that was familiar before World War II. Its operation is still sometimes buttressed by more direct controls; in addition to using the classical techniques of discount rate changes and open market operations, many central banks have used such instruments of policy as variations in reserve requirements and credit rationing in one form or another, in much more varied and complex combinations than in the past. The effects of higher interest rates are, moreover, sometimes offset in part by such devices as special subsidies for residential construction. In general, however, recent developments indicate a sharp and significant reversal of a policy trend that had been dominant since the end of World War II.

Though the war-generated deficiencies in capital equipment were sometimes overestimated in the early postwar years, the high priority given at that time to a high rate of investment was usually justified. With this purpose, among others, in view, some countries adopted a combination of liberal credit policy and contractionary fiscal policies and controls to keep inflationary pressures in check. Thus investment was stimulated, through easy money and various fiscal devices, while consumers' expenditure was limited by high levels of taxation. By imposing price and wage controls and rationing goods in particularly short supply, it was intended to avoid steep inflationary price and wage increases despite high rates of employment and of utilization of productive resources.

The expansion of peacetime production was in fact much more rapid after World War II than after World War I. But whatever may have been the merits of the policies just described, there were serious shortcomings in their application, which became increasingly obvious with the passage of time. Interest rates were kept at excessively low levels, money markets were made unnecessarily easy, and the contractionary fiscal policies that should have kept the consequent expansion under control were not always sufficiently firm. These shortcomings were probably due in part to a widespread underestimation of the upsurge in civilian demand to be expected after the war. However, policy, which by a redistribution of real incomes decreased the flow of private savings and complicated the task of fiscal management, also played an important part. In any case, the combination of fiscal and monetary policies adopted usually permitted the generation of excessively strong inflationary pressures. The controls used to stave off or moderate open inflation therefore had to cover too wide a field and be applied for too long a period. In various ways the patterns of production and consumption were distorted by the high pressure of demand in conjunction with direct controls. Inflationary pressures and overvalued rates of exchange made severe restrictions on trade and payments necessary in order to prevent the exhaustion of monetary reserves.

The increased importance assigned to monetary policy in the last few years has several causes. In general, there has been a significant change in the scale of priorities accepted by public opinion for the goals of economic policy. Immediately after the war the widely accepted goal was to adjust fiscal and monetary policies in such a manner as to ensure high levels of domestic activity, while, if necessary, external accounts were balanced by other more direct measures; among these measures restrictions became the most extensively used. No one—and certainly not the Fund, one of whose purposes is to contribute to "the promotion and maintenance of high levels of employment and real income"—would advocate that a country's balance of payments should be safeguarded by means involving widespread unemployment and the wasting of productive resources. But after a long experience of inflationary pressures generated by high domestic demand and of intensive restrictions on international transactions, opinion has tended to shift to the view that any advantages to be derived from such levels of demand may be more than offset by the effects of conditions unfavorable to high and rising productivity. It has become increasingly clear that there is no single or precisely determinable level of employment to which the phrase "full employment" should be exclusively applied, and that a high and stable level of employment does not require such an inflated level of demand that it must inevitably give rise to payments difficulties.

As time passed, there were clear signs of the increasing costliness of the policies adopted in the years immediately following the war, when inadequate attention was usually given to the need for checking inflationary pressures. Especially under these conditions, the prolonged maintenance of a high ratio of public expenditure and tax revenue to national income had a number of unintended and undesirable effects. Incentives to productive effort were weakened, savings were discouraged, and misallocations of resources were often a result of distortions of the price system. Furthermore, the burdens upon public finance were in any event increased by the expansion of military expenditures after the outbreak of Korean hostilities. If fiscal measures had had to bear simultaneously the responsibility of keeping domestic demand in check and of covering a substantial part of rearmament expenditures, the tax burden, which in any case was likely to be heavy, would have been still further increased. And whereas fiscal policies usually affect consumption expenditures primarily, the initial effects of changes in monetary policy are on expenditures for civilian investment which over a wide field, together with government investments, compete directly with defense expenditures for real resources. Finally, it may have been judged that, because of the important advantage that credit policy can be speedily adjusted to changes in economic conditions, it would as a rule work faster as a weapon against inflationary pressures of the kind induced by the outbreak of hostilities in Korea. In most countries, however, the decision to use credit policy on an extensive scale was taken rather late, and the fact that a more restrictive credit policy should be regarded as something to be used in association with, rather than as a substitute for, adequate fiscal measures was not, and still is not, always fully appreciated.

The main purpose of monetary policy is to keep domestic demand within proper limits and, in particular in countries with balance of payments deficits, to limit it in such a way as to contribute to an improvement in the balance of payments. The restraints of monetary policy may produce such an improvement in several other, somewhat more direct, ways. In spite of the absence of a properly working international capital market, some countries which have restricted credit and raised interest rates have thereby been able to strengthen their exchange reserve positions by inducing capital transfers through "leads and lags" in payments, rather than through the movements of short-term capital to take advantage of higher returns, which in earlier days were often a response to credit restrictions. The short-term capital transfers that occur under postwar conditions are likely to be the result of changes in the terms of commercial credit. The adoption of a more restrictive monetary policy has also evoked at times such a strong feeling of confidence both at home and abroad as to halt or reduce capital flights which controls had been unable to prevent. In several cases it is noticeable that the improvement in reserve positions has been appreciably greater than could be explained by reference to directly known balance of payments transactions. Credit contraction is also likely to have particularly prompt effects upon the balance of payments when inventories of imported goods decline in response to the increased cost and reduced availability of credit.

It is not easy to determine how far improvements in official exchange positions which may occur soon after a change in monetary policy is announced are due to such factors as those mentioned above. In some notable cases there has been merely a postponement of necessary imports, with consequent falling inventories. Insofar as exchange reserves increase in response to changes in commercial credits, there is a corresponding movement in the opposite direction in the short-term private capital position vis-à-vis foreign countries. In general, the real significance of short-run balance of payments fluctuations in either direction may easily be misconceived if insufficient account is taken of such factors as the effects of changes in inventory practice or in the credit terms on which traders carry on their business. Countries whose reserves are not large enough to offset the transitory effects of changes in these factors may feel obliged to give them a larger influence as policy determinants than is warranted by their intrinsic importance.

The more fundamental effects of a monetary contraction upon the balance of payments, though they may be delayed, are usually more indirect, and also, in part, more lasting. As credit is contracted, there is a reduction in total demand, primarily in the sphere of investment but spreading from there to other sectors of the economy. As demand recedes, imports will also decline. If, however, monetary contraction is pressed beyond the point where it merely wipes out excess demand, a real loss will be inflicted upon the country through the nonutilization of productive resources, even though an improvement in the balance of payments is achieved. It cannot be taken for granted that monetary policies that are adequate to maintain domestic activity at appropriate levels will also guarantee external equilibrium. The appropriate monetary and fiscal policies may sometimes have to be supplemented by other measures, such as exchange depreciation, which act directly upon the balance of payments without reducing domestic activity.

The sharp interruption in 1952 to the expansion of industrial production in Europe is hardly to be interpreted as a consequence of the restrictive monetary policies that were being applied. These policies were resorted to primarily in order to counteract increases in demand, which were partly speculative responses to price increases but were mainly a consequence of increased defense efforts. The setback to production is for the most part to be explained as a reaction after the wave of "scare buying" in late 1950 and early 1951. This was particularly marked in the textile industry, where there has also been some evidence of overexpansion during recent years. This setback should therefore be regarded mainly as an indication of the existence of problems for which monetary policy cannot offer any satisfactory solution.

Convertibility Plans

The speed and the extent of the improvement, noted in the previous chapter, in the gold and dollar reserves of the non-dollar world have varied from country to country, but since the middle of 1952 all of the major currency areas have shared in it. This situation has given rise in some quarters to renewed optimism with regard to the possibilities for the relaxation of restrictions and the achievement of lasting international payments equilibrium. In some countries which intensified their restrictions in early 1952, the improvement in the reserve position has already been substantial enough to permit some subsequent relaxations. Moreover, the intensification of restrictions by some countries has not so widely as might have been feared prevented other countries from making further progress in strengthening their payments positions. Both governments and the public increasingly recognize that restrictions are an unsatisfactory way of coping with balance of payments difficulties, not only in the long run, because of their unfavorable effects on the international division of labor and productivity, but even in the short run (from the standpoint of the objectives immediately in mind), because they do not contribute to any fundamental strengthening of the payments position.

The growing interest during the last year in the possibilities of the relaxation and ultimate removal of restrictions has been shown in investigations and discussions by the OEEC, the British Commonwealth Conferences of January and December 1952, the

Fund, and other international organizations. The Council of the OEEC decided in March 1953 to study how and under what conditions a transition from the present form of the European Payments Union to a wider multilateral payments system might be achieved. Pending the outcome of these studies, the Council of the OEEC decided that the EPU should be continued for a further year, until June 30, 1954, but that the position could be reviewed before that date if any country so desired. Subsequently, with the same interest in progress toward a wider multilateral payments system, an OEEC mission discussed with members of the Fund staff the possibilities of closer cooperation between the EPU and the Fund.

It has often been said that, in view of the evident close connection between the inconvertibility of currencies and the so-called dollar shortage, no effective progress could be made toward convertibility until the dollar shortage had been substantially relieved or even entirely removed. It is now more widely realized that the elimination of the dollar shortage requires adjustments in the pattern of international trade and payments, to which an effective movement in the direction of convertibility might itself make a significant contribution. Moreover, the view that convertibility is an attractive ideal, which cannot, however, be realized except in a remote and indefinite future, has increasingly given way to the conclusion that progress toward the establishment of convertibility and progress toward the elimination of the dollar shortage should proceed side by side. Steps toward convertibility would support efforts directed at overcoming the shortage of dollars, both by giving countries stronger inducements to undertake and maintain monetary, fiscal, and budgetary policies that would prevent overexpansion of domestic demand and by removing some of the rigidities in the international payments system that impede the re-establishment of a satisfactory pattern of world trade.

The differences between the recent and the earlier postwar discussions of convertibility have been differences of degree rather than of principle. It has been increasingly recognized, however, that convertibility is not an end in itself. It is desirable because it makes possible a greater flexibility in international payments which is helpful to the "expansion and balanced growth of international trade" and a wider enjoyment of the advantages of international division of labor based on unhindered multilateral trading. If convertibility were to be achieved only by methods which required at the same time the imposition of types of restriction and other hindrances, which might reduce the volume of trade, the achievement would imply the frustration of the very purposes that convertibility was intended to serve. Indeed, the imposition of restrictions as part of a program for establishing the convertibility of a single currency might provoke reprisals elsewhere and, as other countries in turn restricted their purchases, might produce a vicious circle of mounting restrictions and reduced trade.

The analysis in the preceding chapters has pointed to the conclusion that while substantial progress has been made in the direction of general payments balance, the world cannot rest content with its present position, particularly as in the course of time some of the temporary elements which have contributed to this progress will cease to operate. It is important to avoid retrogression from the present position. It is, however, at least equally important to press ahead from the present position, to provide sufficiently stable foundations for the structure of world payments so that the normal ebbs and flows of trade will no longer require, from time to time, the hasty adoption of emergency defensive measures.

In the light of this analysis, the renewed determination with which many countries are endeavoring to move toward convertibility is a most encouraging development. The success of their plans will require continued emphasis on domestic financial and economic stability and on increased dollar earnings, reduction and ultimate elimination of exchange restrictions and discriminatory trade restrictions, and measures to encourage the restoration of international capital markets. Although at the time this Report was prepared no announcement had been made of the details of the plans, notably those relating to sterling convertibility, all these important elements are known to be included in them. The timing and extent of moves in these directions cannot be forecast, dependent as they are on a satisfactory development of the international financial and economic situation. For example, as other sections of this Report have indicated, there has been an insistence on freer access to dollar markets, particularly those of the United States, as a prerequisite to, or concomitant of, decisive moves toward convertibility.

In connection with these developments two points should be emphasized. One is that these determined efforts to achieve convertibility deserve the utmost encouragement, as important steps toward the achievement of the objectives of the Fund which have been agreed to by all members. Moreover, the Fund considers it urgent and essential to take full advantage of the progress toward payments balance which has been outlined in this Report. The second point is that the uncertainty of the timing of decisive steps does not mean that countries cannot in the meantime take less far-reaching measures which have immediate value; these include such measures as freeing commodity markets from restrictions, restoring the machinery of foreign exchange trading, and granting some degree of freedom for the operation of this machinery.

International Capital Movements and Development

It has already been suggested in this Report that serious attention should be given to problems of international capital movements if further substantial progress is to be made toward a stable world payments position. The attainment of a stable position does not mean that current account surpluses must disappear. It would be entirely appropriate that, to the extent that an increased flow of capital—particularly long-term capital—from the United States to the rest of the world can be developed, the United States should have a corresponding current account surplus. If the U.S. current account were balanced, the existing disparity between the rates of capital accumulation in the United States and in other countries would be accentuated, and any further widening of the gap between productive capacity in the United States and in the rest of the world would place severe strains on many other countries in their efforts to maintain international equilibrium.

For no group of countries do these considerations have more direct relevance than for the less developed raw material producing countries. There is a sharp contrast between the average level of real income in many of these countries and the level attained in the more industrialized countries. Rapid development through diversified industrialization has come to be accepted as an important objective of economic policy in many of these countries, chiefly because it seems to be the most satisfactory way to increase real incomes. During the period between World Wars I and II, violent price fluctuations obliged many raw material producers to accept prices for their exports that were very low in relation to the prices of their manufactured imports; and this experience further strengthened their determination to promote economic development leading to a more diversified trade and production structure, and thus to diminish dependence upon a narrow range of exports. The same lesson was driven home by the recollection of the disruption caused by the interruption of customary trading connections during two world wars.

Since the end of World War II, price relations have been somewhat more favorable for some of the staple exports of the raw material producing countries. However, the violent fluctuations of the last two years have caused considerable embarrassment, and on the whole the underdeveloped countries have been even more determined than before to press forward with diversified development plans.

In many of these countries, the pace of the efforts made to expand and diversify the economy, combined with the effects of high export prices, has tended to create strong inflationary pressures, which, to a larger degree than in Europe, have produced open, rather than suppressed, inflation. Through the utilization of resources that would otherwise have been idle, some initial advantages may have been reaped from inflation. But with the passage of time, its undesirable effects upon development have become more evident: distortions in the structure of production and prices involving an expansion of less essential lines of production; the need for subjecting foreign trade to increasingly severe and discriminatory controls in the form of quantitative restrictions or multiple exchange rates; and distortions in income structure involving dangers of increased income inequality.

The implementation of soundly based development programs should be regarded by both the underdeveloped and the more highly industrialized countries as something that would raise the general level of real income of very large sections of the world's population, and at the same time be an important element in any general program for establishing a stable world economic order based upon expanding multilateral trade and general currency convertibility. During the last few years it has been increasingly recognized in many underdeveloped countries that development programs in which inflation plays a large part are likely to produce disappointing results, and that, even if productive capacity is thereby expanded, the benefits gained may be more than counterbalanced by the unfavorable effects of inflation. One of the undesirable distortions in the structure of production that inflationary financing is likely to produce is an undue contraction of production of the traditional staple foods and raw materials. Such contractions are not only contrary to the interests of the underdeveloped countries themselves; they may also check the progress toward the more stable pattern of world trade that would be possible if these goods could either be substituted for some of the dollar imports of the rest of the world, exported directly to the dollar area, or substituted for goods now being imported from the dollar area into the raw material producing countries.

To avoid inflationary developments is in the interests of the underdeveloped countries, but that such avoidance should be made easier is also in the interests of the rest of the world. If adequate capital imports should not be available, the expansion of the economies of underdeveloped countries would be unduly curtailed; and since in many of those countries an effort would be made to fill the gap by inflationary finance, capital imports may be a necessary condition for the elimination of inflationary pressures there. At the same time many underdeveloped countries are recognizing increasingly that they have a responsibility for ensuring the maintenance of conditions that will make foreign investors feel assured of reasonable security for their investments and the earnings expected to flow from them.

The Fund has a direct interest in finding solutions for the complex problems which confront the underdeveloped countries. Many of these problems lie outside the Fund's sphere of responsibility. The resources of the Fund are not available to finance development projects, but a member country with a development program has the same right as other members to seek access to the Fund's resources to cover temporary deficits which might be found unavoidable. Moreover, the relations between development programs as a whole and the problems in connection with which the Fund has a direct responsibility are often very close. In order to associate the Fund and the International Bank for Reconstruction and Development in studying the development problems of member countries in which the two institutions have a common interest, a member of the Fund staff was attached to a Bank mission to Burma, and the intention is to extend similar cooperation as suitable opportunities arise. During the last year a Fund mission was invited to discuss with the Indian authorities the related problems of development and finance in that country. The Fund is looking forward to further discussions of this kind, which should enable it to perform useful services for many of its members.

The Fund's Consultations on Restrictions

Though the gold and dollar reserves of non-dollar countries increased, there was no widespread movement toward a relaxation of restrictions in 1952. While the volume of repressed demand that is kept in check by restrictions may have diminished, restrictions were intensified in some directions to much the same extent as they were relaxed in others. The weakening of many raw material markets benefited European countries at the expense of the raw material exporting countries, and tended to cause a corresponding shift in the severity of restrictions. In part, though only in part, the intensification of restrictions in the United Kingdom reflected that country's close connections and community of economic interests with the overseas countries of the sterling area. By 1952, however, many countries had not only satisfied their most pressing postwar reconstruction requirements; they had also largely completed the adjustment to the fluctuations in activity and prices arising out of the Korean crisis. For many countries, 1952 was a period of consolidation without any major changes in restrictive systems.

A large part of the Fund's work in 1952 was directed to the first series of consultations pursuant to Article XIV, Section 4, of the Fund Agreement, which provides that "Five years after the date on which the Fund begins operations, and in each year thereafter, any member still retaining any restrictions inconsistent with Article VIII, Sections 2, 3 or 4, shall consult the Fund as to their further retention." These consultations are fully described in the *Fourth Annual Report on Exchange Restrictions.* Though they were initiated under conditions which could not have been visualized at the time when the Fund Agreement was drawn up, they may well signify the beginning of useful efforts that will help the more speedy attainment of the purposes of the Fund.

Both in the field of economic activity, production, and international trade, and in the field of restrictive policies, 1952 appears to have marked the end of a period of fairly rapid change. It seems to be increasingly realized that, if further progress is to be made toward the relaxation of restrictions, general principles will have to find more precise expression in concrete programs. At the same time, an increased willingness to undertake such programs is noticeable.

The 1952 consultations provided the Fund with an opportunity to undertake in discussion with member countries a complete review of their restrictive systems and their relations to external conditions and to the economic policies of members in other fields. Some of the consultations proved fruitful in leading to various changes—simplifications or relaxations—in restrictive systems or to the provision of technical assistance by the Fund to members. However, from the point of view of long-term developments, the most important aspect of the consultations was probably the exchange of views between the Fund and members on actual or possible economic policies conducive to the relaxation of restrictions. This brought to light extensive agreement not only on the direction in which countries should move, but also on the kind of policy countries might usefully pursue, though agreement was less complete with regard to the speed at which countries might be expected to move. Doubts in regard to the action likely to be taken by other countries often appear to justify a cautious attitude. It is hoped that the continuation during the coming year of the consultations of members with the Fund should help to overcome this reluctance.

IV

Monetary Reserves

MUCH attention has been paid in recent years to the question whether foreign exchange reserves are adequate either to permit the removal of trade and exchange restrictions imposed for balance of payments purposes and the attainment of general convertibility of currencies, or to maintain high levels of employment and real income and thus check the spread of recession. In the course of its consideration of a report on *Measures for International Economic Stability,* prepared by an appointed group of experts, the U.N. Economic and Social Council requested the Fund to review the question of adequacy of monetary reserves. In response to this request, the Fund prepared a technical analysis on the subject of adequacy, a copy of which has been transmitted to Fund members. The analysis examines the conceptual and statistical difficulties inherent in a study of this kind, and points out that the subject of reserve adequacy can be meaningfully discussed only on the assumption that countries which have not already done so adopt policies adequate to balance their external accounts over a span of good and bad years. On the assumption that countries adopt such policies, four categories or standards of reserve adequacy are distinguished in the report.

Use of the Fund's Resources

Further consideration has been given during the past year to the Fund's policies and practices with respect to the use of its resources. The Executive Board's decision of February 13, 1952, reported in the 1952 Annual Report, had already referred to the principle of stand-by arrangements: these arrangements would, under suitable conditions, give members an assurance that they would be able to draw upon the Fund, even if there was no intention of making an immediate drawing. The first specific arrangement of this kind was authorized on June 19, 1952, giving Belgium the right for an initial period of six months to purchase with Belgian francs on a revolving basis up to the equivalent of US$50 million in currencies held by the Fund. This arrangement is renewable for additional periods of six months unless either Belgium or the Fund should determine that conditions had been basically altered so that the arrangement should be terminated. It will, in any case, be terminated when it has been in effect for five years. This stand-by arrangement is still in effect, but there has been no actual drawing.

Subsequently, the Executive Board, by a decision of October 1, 1952 (see Appendix I), adopted a general policy on stand-by arrangements. According to this decision, the Fund announced that it would consider requests by members for stand-by credit arrangements designed to give assurance that, during a fixed period of time, transactions up to a specified amount would be made whenever a member requested and without further consideration of its position. The rights of a member under a stand-by arrangement could be affected only if, before a request to purchase exchange under it were received, the ineligibility provisions of the Fund Agreement had been invoked, or the Fund had decided to suspend transactions generally.

In considering a request for a stand-by arrangement, the Fund will apply the same standards that are applied to requests for immediate drawings. It will review the member's position, policies, and prospects in the context of the Fund's objectives and purposes, and it will expect drawings under a stand-by arrangement to be made in accordance with the Executive Board's decision of February 13, 1952, including the repurchase arrangements described in that decision. The Fund will agree to a stand-by arrangement only for a member for which it would otherwise be prepared to approve an immediate purchase of exchange of the same amount. Each stand-by drawing account will be set up for a period of not more than six months, and, if the Fund approves, may be renewed at the member's request at the end of that period. The Fund is also willing to examine stand-by requests for longer periods.

A stand-by arrangement would cover the portion of the quota —generally a maximum of 25 per cent—which a member would be allowed, under Article V, Section 3 of the Fund's Articles of Agreement, to draw within the period provided in the arrangement. However, this provision would not preclude the Fund from making stand-by arrangements for larger amounts on terms in accordance with Article V, Section 4, which authorizes the Fund, at its discretion, to waive the quantitative limits on drawings.

In addition to the usual service charge payable in the event of an actual purchase of currency from the Fund, a charge of ¼ of 1 per cent per annum is payable at the time that a stand-by arrangement is authorized, or renewed, in gold or U.S. dollars or partly or wholly in the member's currency if its reserves are so low as to meet the test of Article V, Section 8 (f).

The purpose of this decision was to create a mechanism that would make it easier for a member, for a given period of time, to be able to rely on the Fund's resources to meet a current account deficit in its balance of payments. This arrangement was intended to remove the doubts that have led some members to the view that in formulating their policies they could not rely on Fund assistance. Stand-by arrangements should thus serve as an instrument for the advancement of the Fund's purposes. By giving an assurance that the Fund would help to meet any threatening drain upon reserves, the facilities provided by these arrangements should enable members to refrain from resorting to more restrictive measures. In this way, members should find it possible, without risking a loss of reserves, to modify their policies so as to conform more closely to the Fund's objectives.

Fund policy now allows each member comparatively easy access to the Fund's resources until the Fund holds that member's currency in an amount equal to its quota. Although stand-by arrangements may be made to cover the so-called "gold tranche" drawing rights of members, they are expected to be particularly attractive to members that have already exercised those rights. The stand-by arrangement makes it possible for the Fund to give assurance to members that have exhausted their drawing rights within the "gold tranche," and wish to make certain, in advance, that further assistance will be available if needed. It should also be useful to some of the Fund's smaller members that have a considerable volume of foreign trade and could run into serious foreign exchange difficulties, but could not ordinarily count on much help from the Fund on account of the smallness of their quotas.

The first transaction under this general policy was announced on December 5, 1952, when it was agreed that Finland might purchase up to $5 million from the Fund at any time during the next six months. Subsequently, in January 1953, Finland purchased $2 million from the Fund in accordance with this agreement.[1]

The Fund is always ready, formally or informally, to discuss with members situations which may, from time to time, justify Fund transactions or stand-by arrangements. During the last

[1] In May 1953 Finland also purchased $3 million from the Fund in accordance with its stand-by arrangement.

year much attention has been given to methods whereby progress toward convertibility and the further relaxation of exchange restrictions might be facilitated, either for individual countries or for groups of countries, by financial arrangements in which the Fund might play a part. None of these discussions has yet reached the stage where concrete programs are available for examination, or where decisions on a case-by-case basis have had to be taken. The Fund, however, has an active interest in these discussions, and is prepared to consider what part it can effectively play in the furtherance of their objectives. The unused gold and convertible currency resources of the Fund are substantial, and it is reasonable to expect that occasions for their use under appropriate conditions will occur more frequently in the future than during the last two or three years.

Fund Transactions

During the 1952-53 fiscal year five members have purchased currency from the Fund, amounting in all to US$66,125,000. Paraguay purchased $875,000 for guaraníes in June 1952; Turkey purchased $10,000,000 for Turkish liras in July; Australia purchased $30,000,000 for Australian pounds in August; in addition to the purchase of $2,000,000 mentioned above, Finland purchased $4,500,000 in December; and Brazil made a purchase of $18,750,000 in March 1953.[2]

The drawings of Paraguay, Turkey, and Brazil, amounting to $29,625,000, were within the member's "gold tranche." The total amount which members, other than the United States, might draw if they made "gold tranche" drawings to the fullest extent possible was approximately $400 million, as of April 30, 1953.

During the year seven members have repurchased amounts of their currencies from the Fund for gold and dollars to the

[2] Bolivia purchased $2,500,000 for bolivianos on May 14, 1953, at the time of the establishment of a new par value for the boliviano.

amount of $184,958,162.26. The repurchase obligations of Chile, Peru, and Turkey noted in the 1952 Annual Report were discharged during the 1952-53 fiscal year, and the Fund's holdings of those members' currencies were thus reduced to 75 per cent of their quotas. Syria also discharged the repurchase obligation as of April 30, 1951, reported last year. The Fund has computed another repurchase obligation for Syria for April 30, 1952, which would reduce the Fund's holdings of Syrian currency to 75 per cent of its quota. While Syria has questioned an aspect of the Fund's computation, it has expressed its willingness to fulfill its obligation.[3] Brazil has discharged the repurchase obligations mentioned in last year's Annual Report, and, in addition, has repurchased $18.75 million on the basis of an undertaking in connection with its drawing of $37.5 million in February 1952.

The computation of monetary reserves based on data supplied during the past financial year also resulted in repurchase obligations for the Netherlands and Sweden for April 30, 1952. These members were notified of their repurchase obligations, which were discharged by payments of the equivalents of $27,121,500 and $7,999,378.80, respectively, in gold. In April 1953 the Netherlands also made a voluntary repurchase in dollars amounting to $48,028,947.37, which brought the Fund's holdings of guilders down to 75 per cent of the Netherlands quota.

Four of the repurchases reported above were, in part or in whole, made by members which on joining the Fund paid less than 25 per cent of their quotas in gold, and had, irrespective of any previous purchase of currency from the Fund, incurred a repurchase obligation because of an increase in their monetary reserves in the sense of Article XIX (a).

Between March 1, 1947, when the Fund commenced operations, and April 30, 1953, the Fund effected exchange transactions equivalent to US$917.7 million on behalf of 22 members.

[3] Payment was made on July 15, 1953.

TABLE V. FUND REPURCHASE TRANSACTIONS

(In U.S. dollars)

	May 1, 1952-April 30, 1953		From Beginning of Operations until April 30, 1953	
	Gold	U.S. dollars	Gold	U.S. dollars
Belgium	—	—	9,460,423.29	12,125,283.46
Brazil	19,733,192.47	64,516,807.53	19,733,192.47	64,516,807.53
Chile	1,884,318.21	7,160,990.09	1,884,318.21	10,594,990.09
Costa Rica	—	—	77,000.00	2,046,269.64
Egypt	—	—	829,766.03	7,678,163.64
Ethiopia	—	—	—	600,000.00
Lebanon	—	—	793,412.94	62,429.30
Mexico	—	—	14,898,050.93	7,599,963.92
Netherlands	27,121,500.00	48,028,947.37	27,351,500.02	48,028,947.37
Nicaragua	—	—	—	498,676.07
Norway	—	—	—	9,560,948.86
Peru	2,324,479.01	772,819.71	2,324,479.01	772,819.71
Sweden	7,999,378.80	—	7,999,378.80	—
Syria	418,000.00	—	418,000.00	—
Turkey	—	4,997,729.07	—	4,997,729.07
Union of South Africa	—	—	—	9,985,314.69
Total	59,480,868.49	125,477,293.77	85,769,521.70	179,068,343.35

A summary of these transactions appears in Appendix III. The repurchase transactions of the Fund effected up to April 30, 1953, including mandatory and voluntary repurchases, are shown in Table V.

The Fund's holdings of gold increased during the fiscal year from $1,531.6 million to $1,692.6 million as the combined result of payments by Bolivia, Germany, Japan, and Jordan of that part of their subscriptions payable in gold; by Honduras of that part of the increase in its subscription payable in gold; by six members (Brazil, Chile, Netherlands, Peru, Sweden, and Syria) of repurchases payable in gold; and by other members of service and interest charges. On April 30, 1953 the Fund's holdings of currencies, including nonnegotiable, noninterest-bearing notes, amounted to the equivalent of $5,978.5 million, of which $1,338.1 million was in U.S. dollars. Of the other Fund holdings of convertible currency, the largest was in Canadian dollars, equivalent to US$225 million.

At various points of time since the Fund started operations, exchange transactions have raised the Fund's holdings of the currencies of twelve members above their quotas. These members, therefore, became subject to the appropriate charges prescribed in the Fund Agreement. On April 30, 1953 seven members were currently paying such charges to the Fund. Three members with monetary reserves lower than one half of their quota availed themselves of the opportunity provided in the Fund Agreement to pay in their own currencies all or part of the Fund's charges that normally are payable in gold.

The total of the charges on balances in excess of quota amounted to the equivalent of US$3.0 million in the fiscal year ended April 30, 1952. In the year ended April 30, 1953, which is covered by this Report, the total was about $3.6 million. The increase of income from this source was mainly the result of the higher rates at which these charges are levied as the periods during which the excess balances are held by the Fund become longer.

Computation of Monetary Reserves

Monetary reserves data as of April 30, 1952 have been received from all members of whose currencies the Fund's holdings exceed 75 per cent of the member's quota. Five members which have no repurchase obligations have not yet submitted reports. Five other members have submitted information that was either incomplete or required clarification, and pending the receipt of the additional information the Fund is not in a position to calculate their monetary reserves. The Fund's calculation of the monetary reserves of one member is still under discussion as the member concerned has raised objections to the Fund's computations.

Gold Production

Total world production of gold recovered in 1952 from the moderate decline recorded in 1951 and was slightly above the 1950 total, the highest recorded up to that date since the end of World War II. Valued at $35 per fine ounce, total output (excluding the U.S.S.R. and the countries associated with it) was approximately $851 million in 1952, compared with $828 million in 1951, $844 million in 1950, and $736 million in 1945. Although gold production was greater in 1952 than in any other postwar year, and about equal to the average annual output of 1934 and 1935, it was still approximately 35 per cent below the 1940 peak level.

Except for the Gold Coast, Colombia, and Brazil, all the more important gold-producing countries reported production increases. The largest absolute increase was in the Union of South Africa, where total production rose from about $403 million in 1951 to nearly $414 million. Total sterling area production increased from approximately $497 million to $511 million. Increases of from $2 million to $4 million were reported for Australia, the Belgian Congo, Canada, Mexico, and the Philippines, and of about $1 million for India, Japan, and the United States.

The increase in South Africa was the result of the expanding output of the new mines of the Far West Rand and the Orange Free State, which more than offset the declining output of the older Rand mines. The South African Minister of Mines has stated that, in spite of steadily increasing costs and shortage of labor, it is expected that South African gold output will increase steadily for the next ten years, and that the continued development of new mines in the Orange Free State will ensure an output above the present level for at least thirty years.

Gold mining costs continued to rise in 1952. Average working costs per ton milled in South Africa were 35s. 2d. in December 1952, compared with 33s. 7d. in December 1951, an increase of nearly 5 per cent. In several countries higher costs have induced a shift from the mining of lower grade ore to that of higher grade ore. The rise in costs in Canada was coupled with a decrease, as a result of the rise in the Canadian dollar exchange rate, in the local currency price realized by gold producers on their sales to the Canadian Mint. For these reasons the Canadian Government, after consultation with the Fund in November 1952, granted an increase in the scale of assistance provided by its system of subsidies to gold producers for the calendar year 1953.

Gold Reserves

The total stock of gold in the possession of monetary authorities in the world (excluding the U.S.S.R. and the countries associated with it, but including international institutions—the Fund, the Bank for International Settlements, and the European Payments Union) is estimated at $35,500 million at the end of 1952. The increase during the year was approximately $350 million, compared with an increase of $250 million in 1951 and of $350 million in 1950. There is an inevitably wide margin of error in any calculation of the flow of newly mined gold into official gold holdings. A comparison between the figures recorded above and annual world gold production of over $800 million in recent years suggests, however, that a large proportion of gold production continues to go into hoards. The conditions that sustain the hoarding demand for gold are still operative in many parts of the world.

Premium Gold Sales and Gold Prices in World Markets

During 1952, several countries took further measures, in addition to those reported in the Fund's 1952 Annual Report, for relaxing restrictions upon the sale of gold and upon the movement of gold through their territories. The Union of South Africa has continued to restrict premium sales to approximately 40 per cent of current output. Most of the British Commonwealth and colonial gold producers, however, may now sell 100 per cent of their production in free markets in the form of fine gold bars, instead of being permitted to sell gold only in "processed" form with a maximum fineness of 22 carats. The latter requirement still applies in Canada and the Union of South Africa. Free market sales of newly mined Canadian gold amounted to approximately 30 per cent of current production during 1952; since the rate of subsidy assistance has been increased and the local currency price of gold has fallen, it is expected that several marginal producers will in 1953 elect to sell to the Canadian Mint and receive the subsidy instead of continuing their free market sales. The framework of regulations designed to reduce evasion of the gold regulations of the countries of immediate destination has generally remained unchanged. London firms have been granted permission to act as agents for the sale against U.S. dollars of newly mined gold from the British Commonwealth to buyers outside the sterling area, but they are still restrained from engaging in the general buying and selling of gold in free markets. Switzerland and Uruguay have permitted free transit of gold through their territories without restrictions. Uruguay has also decreed that gold not intended for industrial use may be imported, traded, and circulated freely in the country, and that banks may issue negotiable certificates against gold deposited with them. In order to curtail smuggling, Thailand has established a licensing system for the importation of gold intended for domestic sale. The Central Bank of the Philippines has temporarily suspended its regulation requiring the sale of 25 per cent of domestic gold production to the Central Bank at the official price. Philippine gold producers are thus permitted to sell their total output on the internal free market.

The general level of premium gold prices during the year under review was lower than in any equal period since World War II, though the price had at no time fallen so low as it did for a few days prior to the outbreak of hostilities in Korea. The main reasons which have helped to keep premium prices close to the official price have been the relaxation of controls by countries noted above and their creation of new marketing facilities; the continuance of the legal restrictions imposed in certain countries on the purchase and holding of gold; and the general tightening of monetary policy and the decline of inflationary pressures. The relaxation of controls and the new marketing facilities have made it easier for gold to move into free markets; the legal restrictions on the purchase and holding of gold have kept some potential markets for gold effectively closed, and the decline of inflationary pressures has reduced the demand.

The price at which gold was traded directly for U.S. dollars in various markets of the world, after declining to about $37 per ounce by the end of April 1952, fluctuated during the next twelve months between a low of $36.75 (reached at the end of November) and a high of $38.25 (attained in the middle of January 1953). By the end of April 1953 the price was $36.81.

During the year under review, U.S. dollar equivalent prices for bar gold in such markets as Beirut, Bombay, Hong Kong, and Paris tended to follow the same general trend as the price at which gold was traded directly for U.S. dollars. Alexandria, where the price rose during the year by about $2.50 per fine ounce to the equivalent of $49.80 (at the official rate of exchange) on April 30, 1953, was again an exception. In Paris, bullion quotations ranged between a high of 525,000 francs per kilogram (August 18, 1952) and a low of 478,000 francs (March 23, 1953). On April 30, 1953, the quotation was 508,000 francs per kilogram, practically the same as the price quoted a year earlier. When converted into U.S. dollars at the parallel market franc-dollar rate, which also fluctuated widely, the price of bullion per fine ounce was equivalent to $38.60 on August 18, 1952, $38.22 on March 23, 1953, and $38.26 on April 30, 1953.

In Bombay, the price of bar gold dropped from a high for the year of Rs 95 per tola (equivalent to $53.20 per fine ounce at the official rate of exchange) on May 5, 1952 to a low of Rs 72-12 ($40.74) on December 19, 1952. By February 19, 1953 the price had recovered to Rs 91-1 ($50.99), and on April 30 it was quoted at Rs 86-11 ($48.54). The general level of gold prices in Bombay during the twelve months under review was about $10 to $15 per ounce lower than it had been in 1950 and 1951.

There was also a downward trend in the price of gold coins in most of the free markets, notable declines being recorded in the price of the sovereign, which dropped by the equivalent of about $7 per ounce in Alexandria and of about $5 in Beirut, Brussels, Milan, and Paris. The napoleon declined by the equivalent of about $3 per fine ounce in Paris and of about $2 in Alexandria, Beirut, and Milan. This movement followed the decline recorded in the price of gold bars, and it may have been amplified by the release of limited amounts of coins by monetary authorities from time to time, as well as by sales in certain centers of coins manufactured by private persons in order to take advantage of the higher premiums of approximately 25 per cent over bar gold offered for coin.

Gold Transactions Service

Since the inauguration of the gold transactions service, which was announced in the Annual Report for 1952, five members desiring to sell gold and ten members desiring to buy gold have communicated their offers and bids to the Fund. The Fund has been successful in facilitating the completion of one or more transactions for each of these members, with the exceptions of one prospective seller and two prospective buyers. By the end of April 1953, a total of 24 such transactions, amounting to the equivalent of approximately $219 million, had been consummated through the Fund's service. The extent to which gold transactions can be matched depends upon supply and demand conditions at the time when it is desired to conclude the transactions. There have been occasions when transactions were consummated within a few days of the receipt of offers and bids from members. At other times, the supply of gold exceeded the demand, or vice versa. On such occasions the Fund has attempted to find partners for members on the basis of "first come, first served." Where the element of time was not an essential factor for either the buyer or the seller, the Fund has been successful in seeing the transactions through. A procedure has been adopted which ensures that the identity of buyers and sellers is not disclosed. Seven members have effected four or more transactions, and two have both bought and sold gold through the Fund's service. Each partner to a completed transaction pays to the Fund a charge of 1/32 of 1 per cent in dollars. The Fund is ready to discuss with any member the manner in which it can avail itself of these facilities.

V

Exchange Policies

Par Values in 1952-53

AN initial par value of 4.20 Deutsche Marks per U.S. dollar for the currency of the Federal Republic of Germany was agreed by the Fund on February 2, 1953. This value is identical with the exchange rate in effect since the devaluation of September 1949.

An initial par value of 26 schillings per U.S. dollar for the currency of Austria was agreed by the Fund on April 30, 1953 and became effective on May 4. The Austrian Government informed the Fund that it was discontinuing all multiple currency practices and intended to pursue fiscal and credit policies designed to maintain the effectiveness of the par value. The Fund welcomed the proposal by the Austrian Government to unify its exchange system, and stated its belief that this action was an important step on the road to reconstruction of the Austrian economy. It further emphasized the importance of continuing firm anti-inflationary measures.

The measures that were taken in Austria were the latest in a series of steps, worked out in consultation with the Fund, to achieve domestic monetary stability and make possible the unification of multiple exchange rates. The rate of S 10 per U.S. dollar adopted after the war proved to be inappropriate, and the extensive use of barter trading devices and retained currency arrangements led to a great multiplicity of effective exchange rates. The process of unification of the exchange rate structure began in November 1949, when the schilling was devalued and the number of exchange rates was reduced to three (S 14.40, S 21.36, and S 26 per U.S. dollar). There was a further simplification of the rate structure in October 1950, when the S 14.40 rate was abolished; the rate of S 21.36 became applicable to all commercial transactions, and the premium rate of S 26 was retained only for certain invisibles.

After the outbreak of the Korean war a new price-wage spiral developed in Austria. In order to maintain exports, the competitive position of which had been weakened by price and wage increases in 1950 and 1951, certain exchange devices were used and the effective exchange rate for some exports increased to S 26 per U.S. dollar. In 1952 the Austrian Government succeeded in arresting the inflationary trend which had prevailed throughout the postwar period; prices showed a declining trend and wages were stabilized; commercial credit expansion ceased and savings deposits increased; the payments position improved considerably, although foreign aid was rapidly decreasing. Under these circumstances the Austrian authorities decided, after consulting the Fund, to take the final step toward unification of the exchange rate structure by eliminating the commercial rate of S 21.36 per U.S. dollar and adopting the premium rate of S 26 per U.S. dollar as the agreed par value of the schilling.

Shortly after the close of the fiscal year covered by this Report, one par value was established and one was changed in agreement with the Fund. An initial par value of 360 yen per U.S. dollar for the currency of Japan was agreed by the Fund on May 11, 1953. This value is identical with the exchange rate in effect since April 1949.

On May 13, 1953, the Fund concurred in a proposal of the Bolivian Government for a change in the par value of the boliviano. The new rate is Bs 190 per U.S. dollar, and replaces the previous par value of Bs 60 per U.S. dollar. Bolivia's external position had for some time been dominated by a decline in the price of tin from the level reached after the outbreak of the Korean war. Further problems arose from adjustments in connection with the nationalization of the large tin mining enterprises in the second part of 1952 and from a further sharp decline in the price of tin in April 1953. During the year, exchange earnings declined while a high import demand continued, partly as a result of the prevailing inflationary conditions. Under these circumstances, only ad hoc revisions to meet specific situations had been made in the complicated exchange system which had developed. When the new par value was adopted, all the former exchange taxes, multiple import and export rates, retention quotas, and compensation and *divisas propias* arrangements were eliminated. Also, as part of the program directed toward the stabilization of the Bolivian economy, new foreign exchange measures were adopted. The new exchange system consists of an official market for all trade transactions, government payments, registered capital, and certain specified invisibles, and of a free market. An export tax equivalent to Bs 35 per U.S. dollar is levied on the exports of the government-owned mining corporation. Ad valorem taxes of 50 per cent and of 100 per cent apply to less essential imports. In the legal free market established for all transactions other than those listed above, the exchange rate will be permitted to fluctuate.

The Fund welcomed the simplification of the Bolivian exchange rate structure and approved the new multiple currency practices. It also welcomed the efforts being made to move toward monetary stabilization. Noting that quantitative restrictions on international payments were still to be maintained, it emphasized the importance of firm anti-inflationary measures as a basis for further progress toward the achievement of international equilibrium by Bolivia.

Widening of Official Buying and Selling Limits

As a step toward reducing the need for official intervention in exchange markets, an increasing number of countries have widened the official limits for buying and selling spot exchange within the 1 per cent margin on each side of par stipulated in the Fund's Articles of Agreement.

In December 1951, the United Kingdom widened the official buying and selling limits on spot transactions from 1/20 of 1 per cent to around ¾ of 1 per cent on each side of parity. The wider trading range for spot transactions introduced a moderate risk factor which may have tended to deter traders from using commercial "leads and lags" to speculate against the rate. Following an initial short-term movement against the pound and an upward reaction three months later, the gap between spot and forward rates narrowed in 1952 and early 1953.

At the beginning of July 1952, the Netherlands widened its spread for sterling from 1/10 of 1 per cent to ¾ of 1 per cent on each side of the par value, and its rates for French francs from 1/5 of 1 per cent to 8/10 of 1 per cent; official limits for some other European currencies and the U.S. dollar were subsequently widened to about the same amount. In November 1952, Sweden widened its official buying and selling limits on sterling from 1/10 to 8/10 of 1 per cent, and later extended this to other European currencies. In both instances, the main objective was to reduce the need for daily intervention in the foreign exchange market by the central bank and to introduce a limited risk factor in any speculative positions by traders. On May 18, 1953, an agreement among eight member countries of the European Payments Union (the United Kingdom, France, the Federal Republic of Germany, Belgium, the Netherlands, Denmark, Sweden, and Switzerland) to encourage multilateral arbitrage included a provision to unify the spread between official buying and selling limits of the several currencies at 1½ per cent—that is, ¾ of 1 per cent on each side of their par values.

Provided these countries are able to avoid serious imbalances in their trade and normal capital movements, the moderate widening of the trading margin could help to deter speculation against the official parity and even to induce equilibrating movements of private capital. The realization of both these effects would reduce the movement of official reserves necessary to balance swings in the payments position, and would thus also have some tendency to moderate the ups and downs of market confidence in the currency that might accompany the otherwise larger movements in reserves.

In addition to widening the official buying and selling limits in the spot market, several countries have modified their forward exchange markets. In some cases the margins have been freed, and where previously forward transactions had to be concluded with the central bank, the bank has ceased to act as a counterparty. The Bank of England, for example, withdrew from the forward market at the same time that it widened the margin for spot transactions.

European Currency Arbitrage

The introduction of multilateral arbitrage on May 18, 1953 was the result of a concerted move by the exchange control authorities of the eight countries listed above. Authorized banks in the participating countries are now able to trade with each other in any of the currencies of the group; previously, the freedom with which they could deal in their respective currencies was, with a few minor exceptions, restricted to bilateral deals. Arbitrage dealings are limited to spot transactions, though it is hoped later to extend the scheme to forward transactions. Meanwhile, such forward transactions generally require approval of the central banks of the parties and currencies involved.

In regard to Switzerland, arbitrage is restricted to those foreign currency balances which are eligible for EPU settlements. In order that Germany could be brought into the scheme, an agreement was made with the Bank of England whereby trade between Germany and the sterling area could be transacted on a Deutsche Mark as well as a sterling basis.

These arrangements make it possible for much of the multilateral offsetting of balances, which previously was done once a month by the central banks through EPU, to be done on a day-to-day basis by the authorized banks in each country. The cross rates between the eight currencies will henceforth be approximately the same in all eight markets.

Free Exchange Markets

Exchange rates and capital movements in Canada. Some effects of a fluctuating exchange rate on short-term capital movements are brought out by Canada's experience since September 1950. At that time, official support of the fixed par value was abandoned with a view to checking a large speculative element in the capital inflow which was adding to the money supply and tending to depress interest rates, thus augmenting internal inflationary pressures. Most of the movement of speculative funds had occurred in categories other than direct investment and new security issues, and in these other categories there was an inflow of about Can$700 million in 1950. A striking aspect of the Canadian experience was the sharp reduction in this inflow in 1951 and its reversal to the extent of about Can$630 million in 1952 without incurring wide rate fluctuations. In 1951 the range of fluctuation was only 4 per cent; during 1952 it was less than 5 per cent; and during the first half of 1953 it was less than 3 per cent.

In reviewing this experience, it is to be noted that the occasion for abandoning official support of the par value was in several respects unique. Although a trade deficit was developing at the time, Canada's action was not related to the trade position but was taken rather to check an excessive capital inflow. This inflow had been stimulated by a series of favorable reports on Canada's general economic position, and a market opinion that the appropriate long-run level of the Canadian dollar lay considerably above the parity of US$0.91. Other important factors underlying the general confidence in the Canadian dollar were undoubtedly the fiscal and credit policies followed by the Government, and the evident progress toward relaxation of exchange restrictions.

For a number of reasons the Government felt that an adjustment of the exchange rate provided the only effective device for checking the speculative inflow without interfering with trade and normal capital movements, and that only a rate free to respond to market forces could avoid provoking a reverse capital flight and the impact that such a flight would have on monetary reserves. The delicacy of the problem was increased by a current weakness in trade and service items. In view of the difficulty of evaluating these tendencies, the Government felt unable to specify a new parity which it could regard with confidence as being indefinitely tenable.

Another circumstance peculiar to the Canadian situation was an institutional background which led many persons to regard as "natural" a parity for the Canadian dollar somewhere near that of the U.S. dollar. This attitude may have tended to influence the market spontaneously to limit the range of rate fluctuation in lieu of specific limits announced and supported by the monetary authorities. It may also have tended to induce equilibrating movements of private capital, which moderated the movement of official reserves necessary to balance the payments situation. These private capital movements included changes in the size of working balances held by affiliated U.S. and Canadian business firms and changes in the timing of demands for transfer of commercial payments (the so-called "leads and lags").

The subsequent events indicate the interdependence of the short-term capital movement with movements of the exchange rate, and the sensitiveness of the latter also to changes in the trade account. During the early part of the period, the movement of the rate was evidently influenced by market opinion that the appropriate long-run parity lay considerably above US$0.91. From the middle of 1951 to September 1952, the almost continuous rise in the rate reflected a marked improvement in the trade position. From a deficit of Can$316 million for the first three quarters of 1951, the trade account shifted to a surplus of Can$254 million for the corresponding period of 1952. The long-term capital inflow from the United States rose from under Can$200 million in 1950 to over Can$500 million in 1952. As the exchange rate was progressively bid up in 1951 and 1952, however, its movement was damped by an outflow of short-term funds and portfolio investment, which in 1952 more than offset the inflow of long-term capital.

In September 1952 the rise in the exchange rate halted slightly above US$1.04. About this time the trade account surplus began to fall off sharply, and in the first quarter of 1953 there was a deficit of Can$84 million. This reversal was accompanied by a gradual decline in the exchange rate, which by May 1953 had reached a point near US$1.00.

It thus appears that in the circumstances of Canada's economic position and governmental policies the freely fluctuating rate has in fact moved only moderately, and capital movements, on the whole, have been equilibrating rather than disturbing. Canadian trade and normal capital movements have accordingly not lost the important benefits that are commonly associated with rate stability. As the Fund's 1951 Report indicated, the Canadian Government remains in consultation with the Fund.

Other free exchange rates. Among the other countries which have decided that, temporarily, they cannot maintain exchange rates within the specified margins of a par value agreed with the Fund, or that have never agreed a par value, *France* and *Italy* have again, throughout the year reviewed in this Report, maintained approximately the same official dollar exchange rates that were recorded shortly after the general devaluations of September 1949. The rate for the French franc has been 349.50-350 per U.S. dollar, and for the Italian lira, 625 per U.S. dollar.

In *Greece* the inflation which continued after the devaluation of September 1949 left the drachma once more considerably overvalued. Effective anti-inflationary measures were, however, adopted in 1952, and some significant modifications of the exchange system became possible in October of that year. The export subsidies resulting from the compensation import rights granted to exporters for a specified part (ranging from 10 to 80 per cent) of their export values were practically abolished and, instead, direct subsidies were granted to exporters, financed by taxes on imports and calculated on the exchange value of exported goods. There were, however, still large deviations from the official exchange rate, the import taxes and export subsidies ranging up to 200 per cent of the exchange value. These deviations disappeared on April 9, 1953, when the Greek Government eliminated all multiple currency practices and announced the adjustment of the official exchange rate from Dr 15,000 per U.S. dollar to Dr 30,000 per U.S. dollar. The Fund, which throughout the period has been in close touch with the Greek authorities, was consulted on these changes. It welcomed and concurred in the action proposed to unify the Greek exchange system by the elimination of its multiple currency practices and the adjustment of the official exchange rate. It noted, moreover, that these changes had been made possible by the determination of the Greek Government to achieve monetary stability through the pursuance of an internal stabilization program. The Fund considered that these policies should contribute to the further development of the Greek economy, and also emphasized the importance of continuing firm anti-inflationary measures.

In the two separate free exchange markets (for exchange certificates and for drafts) which *Peru* has maintained since 1948, the sol showed a tendency toward gradual depreciation during the period under review. The rate for dollar certificates rose from S/. 15.21 per U.S. dollar in January 1952 to S/. 15.60 in December. When in the early months of 1953 it approached S/. 16, the Central Reserve Bank intervened and for some time maintained the rate below S/. 16. In the latter part of April, however, further pressure developed and the certificate rate depreciated to S/. 16.47 per U.S. dollar at the end of the month. The free draft rate followed rather closely the movements of the certificate rate, though the spread between the two, which had been very narrow throughout 1952 and the early months of 1953, tended to widen somewhat in April 1953. The gradual rise of the rates, notwithstanding high export receipts and a record level of capital inflow, may be due to an expansion of the money supply based on more liberal extension of credit and to an increasing demand for imports. Measures in the fields of credit and taxation taken since the end of April appear, however, to have had beneficial effects.

In *China* (Taiwan) steps were taken in the early part of 1953 toward a substantial unification of the exchange rate structure: certain "mixing" rates were eliminated and the use of the so-called Bank of Taiwan rate was further limited. The latter is now used only as a buying rate for 20 per cent of the export proceeds of sugar and rice, the remaining 80 per cent being purchased at the certificate rate, which results in an effective rate of NT$14.49 per U.S. dollar. All other foreign exchange receipts and payments are settled at the certificate rates, which in April 1953 were NT$15.55 buying and NT$15.65 selling.

In *Thailand* the free market sterling rate has adjusted itself fairly closely to the Bank of Thailand's selling rate of 45 baht per pound sterling, which has been maintained unchanged since February 1952. This has meant a moderate appreciation of the baht in terms of sterling. Since around the middle of 1952, the free market rate has been only a fraction above the Bank's selling rate. The appreciation in the free market of the baht vis-à-vis the U.S. dollar has been more substantial, the quotation for the dollar declining from an average of 20.03 baht in April 1952 to 16.85 baht in December and remaining near that level through April 1953. During the year, Thailand's balance of trade appears to have deteriorated. Sterling holdings were substantially depleted by the early part of 1953, though dollar holdings showed a considerable further increase so that the net decline in reserves has been small. In order to meet import requirements, the Bank of Thailand, which hitherto had provided dollar exchange for only a few special transactions, undertook in April 1953 to sell U.S. dollars at a rate corresponding to that quoted in the free market.

Two other measures have tended to reduce the spread in the effective rate structure of Thailand. Beginning in April 1952, payments for imports of petroleum products, which previously had been made at the official rate, were effected at the Bank of Thailand free rate for sterling or the corresponding rate for U.S. dollars calculated at the official cross rate. In September 1952, one of the export "mixing" rates was eliminated by granting the same treatment to tin and rubber exports; the surrender requirement at the official rate was reduced so that 80 per cent, instead of the former 60 per cent, of the proceeds were available for sale in the free market.

The free market rate in *Uruguay* reached a low of 2.45 pesos per U.S. dollar in July 1952 and a high of 2.975 pesos in September. For the year as a whole fluctuations were more moderate, the dollar quotation moving from about 2.72 pesos at the end of April 1952 to 2.93 pesos in April 1953. The depreciation of the free market rate may have been due in part to a comparatively poor tourist season. The public reaction to the new government budget approved toward the end of March 1953 which increased appropriations by 25 per cent, to 463 million pesos, and to the tax bill designed to produce some 100 million pesos of additional revenue, may have been a further contributing factor. No information is available regarding capital movements which in past years have influenced the free market appreciably. More significantly, the operations of the free market have been somewhat relaxed and its scope broadened. Private banks, whose operations in the free market had previously been confined to U.S. dollars, were authorized, beginning September 15, 1952, to operate in invisible and capital transactions in inconvertible currencies, except for payments which had to be made through payments agreement accounts. Formerly such transactions had been confined to the government-owned Bank of the Republic and were effected at rates periodically fixed by that Bank. Accordingly, all financial payments (apart from payments agreement account transactions) are now made through an entirely free market. In January 1953, five per cent of dollar exchange proceeds from wool were given access to the free market for a limited period. A two per cent retention had been permitted in the past. This measure was evidently taken in order to stimulate wool exports to the dollar area, which had shown a tendency to decline. In response to temporary changes in the situation of certain export products, Uruguay also resorted to a number of ad hoc measures, involving compensation or rate "mixing" arrangements which gave rise to new effective rates. At the end of the period under review, arrangements for mixing the 1.519 and 2.35 pesos per U.S. dollar rates with the free market rate were in operation, giving exporters of wool tops an effective rate of 2.19 pesos per U.S. dollar and exporters of scoured wool an effective rate of 1.669 pesos. Previously, wool tops had received the benefit of the full 2.35 peso rate, while scoured wool had been exported at the basic rate of 1.519 pesos.

In a number of other member countries free exchange rates of one kind or another have also been allowed to play a more or less important part. In the free exchange markets, there has been a general tendency for dollar premiums to decline, which no doubt in large part reflects the movement toward the disappearance of the U.S. surplus with the rest of the world which has been described earlier in this Report. For example, in *Lebanon,* where a free exchange market operates without government intervention, the free rate for the U.S. dollar, which for some time had been fairly stable around LL 3.80, was quoted during the second half of 1952 and the early months of 1953 at around LL 3.55-3.65 per U.S. dollar. The last limitation of any significance upon exchange transactions, by which a few concessionaire companies were required to purchase 80 per cent of their local currency requirements at the official rate, was abolished in May 1952. All exchange transactions, with the exception of certain government transactions not exceeding 1 per cent of the total exchange turnover, are now effected at the free rate.

In February 1953, the two fluctuating exchange markets which had previously existed in *Syria,* i.e., the market for "exportation exchange" and the open market, were for all practical purposes merged. This step was taken after an extended period during which the two rates had been very close, largely because import licenses and exchange permits were issued freely and some arbitrage transactions between the two markets were authorized. Since February 1953, the Exchange Office has published daily quotations at which it will, at its discretion, buy and sell each of the specified currencies regardless of its origin. As a result, the rates for free and exportation exchange are now identical. The free rate has been reasonably stable, ranging with the usual seasonal fluctuations between LS 3.92 and LS 3.54 per U.S. dollar. The operations of the Exchange Office are expected to help minimize these seasonal fluctuations.

In the free market in *Hong Kong*, the rate for the Hong Kong dollar in terms of the U.S. dollar strengthened considerably during 1952. The value of the Hong Kong dollar is HK$16 per pound sterling, equivalent to a rate of HK$5.71 per U.S. dollar. At the beginning of 1952 the Hong Kong dollar was quoted at about HK$6.56 per U.S. dollar, a discount of nearly 15 per cent; by the end of the year the rate was about HK$6.01, a discount of 5 per cent. The reasons for this improvement cannot be precisely determined. With imports falling more sharply than exports, the Hong Kong trade deficit with the dollar area fell off in 1952, but this favorable movement was probably offset, at least in part, by a reduction in the value of U.S. dollar remittances to the Colony from Chinese emigrants in the dollar area. There is certainly a connection between the free exchange market and the free gold market in Hong Kong, and the decline in the premium on gold resulting from broader world causes may have been partially responsible for the stronger position of the Hong Kong dollar. Under existing regulations only the U.S. dollar may be traded in the Hong Kong free exchange market; transactions in other currencies are controlled and allowed only at official rates. Sterling transfers are restricted to bona fide current account transactions, and the similarity between the movements in dollar-sterling cross rates in Hong Kong and in other free markets can be partly ascribed to reasons of sentiment.

In *Brazil* a free exchange market was inaugurated on February 21, 1953 for most capital and invisible transactions as well as for certain trade items. The deterioration of the balance of payments in 1952 resulted in the largest deficit on goods and services account ever recorded for the country. The deficit in 1951 had been met largely by the use of foreign exchange holdings, which by the end of the year had been almost entirely depleted. The continuing imbalance in 1952, therefore, meant a rapidly accumulating short-term indebtedness to foreign exporters and a large debtor position in payments agreement accounts. Through the free exchange market it is hoped to encourage the inflow of foreign capital, facilitate the remittance of certain investment income and amortization, and stimulate the movement of some minor export products. Most exports and imports continue to be transacted in the official market at rates based on the official par value of the cruzeiro (Cr$18.50 per U.S. dollar). These transactions are subject to restrictions, and most sales of exchange continue to be subject to an 8 per cent tax. Capital and invisible transactions, with a few specified exceptions which are eligible for the official market, are permitted in the free market without restrictions, and rates fluctuate freely according to supply and demand. Quotations in the free market opened around Cr$38.40 to the U.S. dollar; the rate has since shown a tendency to depreciate somewhat, reaching Cr$49.50 on April 16, 1953 and subsequently recovering to about Cr$43 at the end of April. A list of export commodities, whose proceeds can be sold partly in the official and partly in the free market, has been issued, and three "mixing ratios" between the official and free market rates have been established. The legislation under which the free market has been established provides that some import payments may be covered, in part or in whole, through the free market, if authorized by the exchange authorities. The coverage of trade transactions in the free market is subject to change by regulation, within the limits established by the enabling legislation which excludes the major export commodities from the market.

The strong inflationary pressures which continued in *Chile* during the period under consideration are a partial explanation of the substantial weakening during 1952 of the free market rate quoted by banks and of the free brokers' rate. The former rate, used for a large volume of trade transactions, which depreciated from 90 pesos per U.S. dollar in March 1952 to about 127 pesos in September 1952, was stabilized in early 1953 at 110 pesos. The free brokers' rate depreciated from 104 pesos per U.S. dollar in March 1952 to about 155 pesos in April 1953. Minor revisions of the multiple exchange rate structure were introduced at the beginning of 1953. The rates of 43 pesos and 50 pesos per U.S. dollar, which in the past had been used for a limited volume of trade and invisible transactions, were no longer to be applied; moreover, some changes in the mixing ratios for minor exports resulted in an effective devaluation in the average rate applying to such exports. There is a growing recognition in Chile that progress toward general stabilization of the economy is a prerequisite to an overhaul of its complicated exchange rate system.

A continuation of the improvement in the external position of *Costa Rica,* which was noted in last year's Annual Report, made possible a further reduction in 1952 of the spread between its exchange markets. The free market rate appreciated from 7 colones per U. S. dollar at the end of 1951 to 6.65 colones at the end of 1952. The official buying and selling rates applicable to most trade transactions remained at ₡ 5.60 and ₡ 5.67 per U.S. dollar. The fact that this movement was permitted without any undue strain on the dollar holdings of the Central Bank was evidence of the growing strength of the colón resulting from an improved foreign trade position and from a strengthened domestic economic situation. The Central Bank was granted temporary authority to permit partial sale in the free market of the exchange proceeds of gold and of some minor exports, i.e., 40 per cent at the official rate and 60 per cent at the free market rate, and has applied this arrangement to proceeds from gold.

Retention Quotas and Similar Practices

In the course of the Fund's consultations with its members in 1952, retention quotas and similar practices applied by various European countries were scrutinized with regard to both their technical aspects and their economic implications. By these practices exporters are allowed to retain part of their exchange proceeds, or rights to import certain commodities are granted in connection with exports. It was felt at the time of the consultations that these practices could not be properly judged only with respect to the individual country in which each was applied, but that they should be considered as related symptoms of a wider problem. The Executive Board, therefore, did not try in 1952 to pass judgment on these practices in the case of each country. For the following countries, decisions were accordingly adopted with respect to the 1952 consultations in which judgment on certain practices was deferred, pending completion of the more general examination: Austria, Belgium-Luxembourg, Denmark, France, Germany, Greece, Italy, the Netherlands, and Sweden.

In Mexico City, at its Seventh Annual Meeting, the Board of Governors of the Fund adopted the following resolution:

> "Resolved: That the Executive Directors of the Fund shall make a special study of the dollar retention quotas and other similar practices in member countries. In particular this study will take into account the situations which give rise to these practices, their magnitude in each country, the methods used for their application, their impact on other members of the Fund, and possible alternative measures. The study shall include such conclusions and recommendations as may be appropriate."

The major aspects of retention quotas and similar practices are reviewed in the *Fourth Annual Report on Exchange Restrictions.* After considering the various existing forms of retention quotas and similar practices effected through the exchange system, the Executive Board adopted the following resolution:

> "In concluding consultations on restrictions on current payments and transfers as required under Article XIV of the Fund Agreement, the Fund postponed consideration of retention quotas and similar practices through which some members have sought to improve their earnings of specific currencies. The Fund has now examined these practices more fully than was possible at the consultations referred to above. The Fund has extended this examination to cover the terms of reference of the resolution adopted on September 9, 1952, by the Board of Governors, and has come to the following conclusions:
>
> 1. Members should work toward and achieve as soon as feasible the removal of these retention quotas and similar practices, particularly where they lead to abnormal shifts in trade which cause unnecessary damage to other countries. Members should endeavor to replace these practices by more appropriate measures leading to currency convertibility.
>
> 2. The Fund will enter into consultation with each of the members concerned with a view to agreeing on a program for the implementation of 1 above, including appropriate attention to timing of any action which may be decided upon.
>
> 3. The Fund does not object to those practices which, by their nature, can be regarded as devices designed solely to simplify the administration of official exchange allocations."

The covering letter by which this decision was conveyed to members is reproduced in Appendix II.

Other Exchange Developments

The details of changes in exchange policy and practice in other countries in 1952 are recorded in the *Fourth Annual Report on Exchange Restrictions.* Some of these changes, which are of general interest, are noted below, together with certain changes made in the early months of 1953.

With a continuing favorable market for coffee and a further strengthening of its reserve position, *Colombia* has been able to continue the policy initiated in 1951 of liberalizing trade through a revision of its import and export control system. The number of specified articles (luxury goods and goods produced domestically) on the prohibited list was reduced. The spread between the coffee export rate and the buying rate for other exchange proceeds continues to be narrowed every month in accordance with the schedule described in last year's Annual Report. Thus, at the end of April 1953, coffee producers received an effective rate of 2.3185 pesos per U.S. dollar, against the buying rate of 2.50 pesos for other exchange proceeds. In August 1952 a bonus scheme was introduced, whereby exporters of certain secondary exports are granted, in addition to the official exchange rate, a negotiable warrant entitling them to import certain items on the list of prohibited imports. The exports for which, in effect, a premium over the official exchange rate is thus offered constitute about 5 per cent of Colombia's total exports.

To cope with the decline in its cotton exports and the ensuing acute shortage of sterling, the monetary authorities in *Egypt* have introduced a series of measures designed to encourage exports. In the first instance this was done by expanding the scope of the "export pound accounts" system. In November 1952, payment in export pounds, which had previously applied primarily to imports from the dollar area, was extended to essential imports from all countries other than those with which Egypt had payments agreements. Subsequently, the system was further expanded to cover less essential goods from countries outside the dollar and sterling areas with which no payments agreements have been concluded. In order further to encourage exports and to reduce the drain on international reserves, a system of "import entitlement accounts" was introduced in February 1953. Under this system, U.S. dollars, Canadian dollars, and pounds sterling resulting from exports of specified goods are earmarked for the use of the exporter up to 100 per cent for exports of cotton yarn and textiles, and up to 75 per cent for other listed exports. The exporter may use this foreign exchange to pay for specified imports, or he may sell it to other importers at a rate freely determined in a domestic market.

In order to reduce the drain on reserves resulting from a large balance of payments deficit, and in an effort to arrest the rise in the fluctuating (certificate) rate of exchange, *Iran* modified its exchange system on April 4, 1952. The official selling rate of 32.50 rials per U.S. dollar was retained for government imports and a few invisibles, and the buying rate of Rls 41 per U.S. dollar, established in December 1951, was maintained only for nontrade dollars sold by tourists, diplomats, etc. On surrendering their exchange proceeds at the official rate, exporters were to be given certificates for 95 per cent of the exchange surrendered, which could be sold freely at rates determined by supply and demand to importers who were entitled to obtain exchange at the official rate. Both exports and imports were divided into two categories, certificates emanating from Category 1 exports being used only for the importation of Category 1 (essential) goods, while Category 2 export certificates could be used for either Category 1 or Category 2 (less essential) imports. This system was intended to bring about an automatic equilibration of foreign trade; and, in fact, the trade deficit was sharply reduced in 1952, with a drastic decline in imports. This development, however, engendered some inflationary tendencies, and prices of imports rose appreciably between April 1952 and the early part of 1953. The effective exchange rate resulting from Category 1 export certificate transactions rose from Rls 71.50 per U.S. dollar in May 1952 to Rls 103 at the end of April 1953. The corresponding rise for Category 2 export certificate transactions was from Rls 72.50 to Rls 105 per U.S. dollar. The exchange system was further modified in March 1953, both exports and imports being divided into three categories instead of two. Certificates of Category 3 exports may be used for imports in all three categories; those emanating from Category 2 goods may be used only for imports of Category 1 and 2 goods; and Category 1 certificates may be used only for imports of Category 1 goods. The Ministry of National Economy has powers to change the classification of goods and to increase the absolute amount of the quotas. Recent reports indicate that the Government is contemplating the stabilization of the exchange rate.

The external position of *Paraguay* during the year under review was largely determined by the weakening of world prices of some of its export products, e.g., cotton, hides, and lumber, and by pronounced domestic inflationary pressures arising from both the fiscal and the private credit sectors. In these circumstances, Paraguay has found it necessary to adopt a series of extensive changes in its exchange system, which have produced a *de facto* depreciation in the over-all exchange rate structure. Exchange modifications effected in August 1952 replaced the primary rates of 6 and 9 guaraníes per U.S. dollar by a basic buying and selling rate of 15 guaraníes, coupled with export taxes and subsidies for certain exports and imports as well as exchange surcharges of 6 and 15 guaraníes per dollar on all but the most essential imports. At the same time, a limited legal free market, primarily for invisibles, was re-established. These measures tended to consolidate the rate structure. Subsequent measures, particularly those effective January 1, 1953, on the whole resulted in some further depreciation of the effective rate structure, and some sacrifice of the simplication previously attained. They included a reclassification of imports, mainly by shifts toward higher effective rates, and the reintroduction of a system of auctioning exchange for the least essential category of imports. Import subsidies were eliminated, and the maximum permissible export subsidy was increased. The scope of the free market was broadened, and export proceeds in excess of officially fixed valuations were given access to it. These most recent measures were adopted as part of a comprehensive government stabilization program for 1953, which contemplates measures in the credit, fiscal, and production fields designed to arrest the serious inflation of recent years.

In the *Philippine Republic,* the period of two years for which a special tax on sales of foreign exchange had been imposed in March 1951, in circumstances described in the Fund's 1951 Annual Report, was extended first to December 31, 1953 and subsequently to June 30, 1954.

During the year under review *Indonesia* was faced with a sharp decline in rubber prices and declines of lesser magnitude in some other export prices. Export receipts fell substantially from the peak levels of 1951. In this situation, with a continuing expansion of the money supply and a considerable drain on foreign exchange reserves, extensive revisions had to be made in the exchange rate structure. A series of modifications resulted, in the main, in more restrictive effective rates for most imports. Only for the most essential category of imports is exchange provided at the official rate of 11.445 rupiah per U.S. dollar without additional fees. Other imports, depending on their essentiality, are subject to surcharges—through a certificate system—of

33-1/3, 100, and 200 per cent, while certain luxury imports are prohibited. Moreover, substantial advance deposit requirements were imposed on imports; these now amount to 75 per cent of the value of the goods plus the full amount of the surcharge (certificate). Direct controls on imports and other payments were also tightened in some respects. Exports continue to receive the official buying rate, Rp 11.355 per U.S. dollar; the additional export duties imposed on major exports in February 1952, however, have been substantially reduced.

The exchange differential applicable to dollar trade transactions was reduced to an insignificant amount. Instead of the rate for dollar certificates, through which the premium on dollar transactions is realized, being determined in a free market, it was brought under the control of the Javasche Bank. The Bank now fixes the rate weekly; and by successive stages the premium, which was about Rp 1.50 per U.S. dollar in the free market in the early part of 1952, was brought down to Rp 0.25 per dollar in August 1952, and has since remained at that level.

VI

Membership, Organization, and Administration

Membership and Organization

JAPAN became a member of the Fund on August 13, 1952, with a quota of $250 million; the Federal Republic of Germany on August 14, 1952, with a quota of $330 million; and the Hashemite Kingdom of the Jordan on August 29, 1952, with a quota of $3 million. The number of members was thus raised to fifty-four and the aggregate of quotas to $8,736.5 million.

On the requests of Haiti and Indonesia, whose applications for membership were approved by the Board of Governors at their Annual Meeting in September 1952, the period of acceptance of membership was extended for both until September 16, 1953.

The members of the Fund, their quotas, voting powers, Governors, and Alternate Governors are shown in Appendix IV. Changes in the membership of the Board of Governors during the year are shown in Appendix V.

The Executive Directors of the Fund and their voting power as of April 30, 1953 are shown in Appendix VI. Changes in membership of the Executive Board during the year are shown in Appendix VII.

Relations with Members

The Fund has continued its policy of active collaboration with members in their own countries wherever it could be of service in exchanging views and information and in providing technical assistance so far as personnel is available. During the past year many of its meetings with the officials of member countries took place in connection with the first series of consultations under Article XIV, Section 4 of the Fund Agreement. The opportunities provided by these personal contacts for reaching a better understanding of the interrelated problems confronting members have proved invaluable to the Fund and, it is believed, have been fruitful for the individual members also. As these close relations are renewed in further meetings and the staff of the Fund thereby obtains a more thorough knowledge of a member's situation, the Fund can expect to become more and more a source to which members will look for advice and technical assistance in relation to problems that fall within its sphere.

During the year under review, forty-three members of the staff were sent at various times to meet with the officials and technicians of member countries and to study and consult with them on their problems and prospects. These meetings have usually had an immediate objective in view, but they should also be seen as part of a continuous program in harmony with the broad purposes defined in Article I of the Fund Agreement. Sometimes the problems where joint work by the Fund and a member is likely to produce fruitful results are of a narrowly technical character. The technical assistance of the Fund may also extend to more fundamental policy matters. During the last year, it has been possible in several cases, through cooperative work between the Fund and the member country which had involved discussions extending over several years and looked toward the establishment of a unified exchange system, to make a major forward step, extending significantly the area within which orderly exchange arrangements operate. The Fund does not pretend that it has any specific remedies to be recommended under all circumstances. The results of the extended work undertaken in this field during the last year, however, justify the belief that it should be regarded as one of the Fund's most important tasks.

The Fund has continued to maintain close relations with other international agencies engaged in similar activities in the field of technical assistance, both directly and through the Technical Assistance Board of the United Nations in whose meetings the Fund, though not a member of the Board, has taken an active part. Through the exchange of information the Fund has been able to contribute to the programs of other agencies and at the same time preserve the appropriate relationship with the members concerned on matters for which the Fund is responsible under its Articles of Agreement.

Training Program

Last September the Fund announced the establishment of a revised training program which would combine the two programs previously offered, i.e., one on general international economics, running for a year, the other on specialized training in balance of payments techniques and running for a shorter period. The new program, which was inaugurated in May 1953, offers a balanced combination of specialized and general training and will run for a year. Including the 15 trainees selected for the new program, a total of 61 trainees from 40 member countries have spent six months to a year in formal training at the Fund. In addition to its regular training courses, the Fund has received a considerable number of visiting officers and technicians from the central banks and ministries of finance of member countries. The Fund considers these activities helpful in promoting effective working contacts between the Fund and its members, and a useful part of the Fund's work in the field of technical assistance.

Information

There were published during the past year the Seventh Annual

Report of the Executive Directors, the *Third Annual Report on Exchange Restrictions,* Volume IV of the *Balance of Payments Yearbook,* and Volume II, No. 3 and Volume III, No. 1 of *Staff Papers.*[1] The monthly publications, *International Financial Statistics* and *Direction of International Trade* (the latter prepared jointly with the International Bank for Reconstruction and Development and printed and distributed by the United Nations), and the weekly *International Financial News Survey* continue to be widely distributed.

Relations with Other International Organizations

With the International Bank for Reconstruction and Development in particular the Fund has, for obvious reasons, close and continuous working relations, and during the past year much has been done to make greater use of the opportunities which this relationship affords for the advantage of both institutions. At the Annual Meeting in 1952, several Governors expressed interest in relations between the Fund and Bank, with particular reference to the possibility of economizing through the establishment of joint services. A separate report on this subject will be presented to the Board of Governors at their meeting this year.

The Fund's consultations with the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade have been reported in the *Fourth Annual Report on Exchange Restrictions.* Relations with the Organization for European Economic Cooperation and the European Payments Union have developed during the past year and have been greatly facilitated by the Fund's European Office in Paris.

Close liaison has been maintained with the United Nations, and Fund representatives have attended meetings of the General Assembly, the Economic and Social Council, the Economic Com-

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[1] *Fourth Annual Report on Exchange Restrictions* was published in July 1953.

missions for Asia and the Far East, for Europe, and for Latin America, and the Technical Assistance Board. Several studies and analyses have been prepared by the Fund for the Economic and Social Council and the regional economic commissions, and there has been active participation in their discussions. The Fund's representatives have also attended meetings of the Food and Agriculture Organization, the Bank for International Settlements, the International Wheat Council, the International Cotton Advisory Committee, the International Telecommunications Conference, the International Law Association, and the International Seminar on Statistical Organization.

Privilege for Fund Communications

In February 1950 the Executive Directors, acting under Article XVIII, interpreted Article IX, Section 7 of the Articles of Agreement to mean that the Fund's privilege for communications extended to the rates charged for its official cable messages, and that, therefore, the Fund was entitled to receive the same standard of treatment in respect of rates from a member as is accorded other member governments. (See Annual Report, 1950, Appendix XI.) The Fund, acting jointly with the Bank, instituted a proceeding before the Federal Communications Commission, a United States Government agency exercising regulatory powers over the rates charged for cable communications. The Fund requested that certain U.S. cable companies be directed to accord the Fund the benefit of governmental rates in circumstances comparable to those in which member governments receive them. In the Annual Report for 1952 it was reported that the claim of the Fund had been sustained in the Initial Decision of the Commission's Hearing Examiner. Exceptions were taken to that opinion, and the case was decided by the full Commission on March 23, 1953. The Commission, in effect, confirmed the opinion of the Hearing Examiner and held that the Fund's interpretation is binding on the Commission. However, it has held that the Fund's right in comparable circumstances to the benefit of governmental rates charged by U.S. cable companies means, in view of existing practice, that the Fund is entitled to such rates only if certain conditions of reciprocity are observed by the foreign correspondents of the companies.

Administration

Mr. H. Merle Cochran, formerly U.S. Ambassador to the Republic of Indonesia, was appointed as Deputy Managing Director and assumed his duties on March 16, 1953.

At the end of the fiscal year, the total number of staff was 434, including nationals of 38 countries, three more countries than were represented last year. The total includes 16 temporary appointments, 8 on leave without pay, 8 on military leave, and 1 on loan. During the year, 49 appointments were made of nationals of 19 countries, but there was a net decrease in the staff of 17.

A reorganization of the area work of the Fund, increasing the number of area departments from two to four, was approved by the Executive Board. The area work in the Fund is now handled by the Asian Department, the European Department, the Middle Eastern Department, and the Western Hemisphere Department.

An administrative budget for the period May 1, 1953 to April 30, 1954, as approved by the Executive Directors, is presented in Appendix VIII, to which is attached a tabulation comparing the budget with actual expenditures for the fiscal year 1953. A comparative statement of the Fund's income is also presented in Appendix VIII. It will be noted that in the last fiscal year the Fund incurred its smallest deficit since 1948. This was possible because income increased while expenditures were lower than originally budgeted.

The Executive Board requested the Governments of Cuba, Norway, and the United Kingdom to nominate members of the Audit Committee. The following nominations were made and confirmed: Mr. Manuel de J. Fernandez Cepero, Certified Public Accountant, Professor of Accountancy at Havana University, and an official of the Banco Nacional de Cuba; Mr. Vidkunn Hake Schirmer, an official of the Norges Bank; and Mr. W. S. J. Thornington, Deputy Director of Audit in the Comptroller and Auditor General's Office, United Kingdom. The report of the Committee is submitted separately. The Auditors' Certificate, together with the audited balance sheet as of April 30, 1953, the audited statement of income and expenditure, with supporting schedules, and audited financial statements of the Fund's Retirement Fund are presented in Appendix IX.

APPENDICES

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Appendix I

DECISION ON STAND-BY CREDIT ARRANGEMENTS

The Fund is prepared to consider requests by members for stand-by arrangements designed to give assurance that, during a fixed period of time, transactions up to a specified amount will be made whenever a member requests and without further consideration of its position, unless the ineligibility provisions of the Fund Agreement have been invoked. The following paragraphs set forth the general framework for stand-by arrangements:

1. Stand-by arrangements would be limited to periods of not more than six months. They could be renewed by a new decision of the Executive Board.

2. In considering the request for a stand-by arrangement or a renewal of a stand-by arrangement, the Fund would apply the same policies that are applied to requests for immediate drawings, including a review of the member's position, policies and prospects in the context of the Fund's objectives and purposes. The Fund would agree to a stand-by arrangement only for a member that would be in a position to make purchases of the same amount of exchange from the Fund.

3. Such arrangements would cover the portion of the quota which a member would be allowed, under Article V, Section 3, to draw within the period provided in the arrangement. However, this does not preclude the Fund from making stand-by arrangements for larger amounts on terms in accordance with Article V, Section 4.

4. A charge of 1/4 of 1 per cent per annum would be payable to the Fund at the time a stand-by arrangement is agreed. This charge would be payable in gold (or United States dollars in lieu of gold) or the member's currency as specified for other charges by Article V, Section 8(f). In the event that a stand-by arrangement is renewed, a new charge at the rate of 1/4 of 1 per cent per annum would be payable to the Fund.

5. A member having a stand-by arrangement would have the right to engage in the transactions covered by the stand-by arrangement without further review by the Fund. This right of the member could be suspended only with respect to requests received by the Fund after: (a) a formal ineligibility, or (b) a decision of the Executive Board to suspend transactions either generally (under Article XVI, Section 1(ii)) or in order to consider a proposal, made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of the member.

6. In view of the policy of the Fund with respect to drawings within the so-called "gold tranche," it is not considered likely that members will request stand-by arrangements confined to transactions within the "gold tranche." Accordingly, the policy set forth in this decision is designed primarily to deal with stand-by arrangements for drawings beyond the "gold tranche." If at any time a member proposes a stand-by arrangement which would, in part or entirely, involve drawings within the "gold tranche," the Fund will reconsider the charge set forth in paragraph 4 above as applied to "gold tranche" transactions.

7. This decision will be effective until December 31, 1953, and will be reviewed by the Executive Board before that date.

October 1, 1952

Appendix II

LETTER OF MANAGING DIRECTOR TO ALL MEMBERS ON RETENTION QUOTAS

May 5, 1953

Sir:

The Fund has made a detailed study concerning retention quotas and other similar practices pursuant to the resolution passed at the Seventh Session of the Board of Governors in Mexico in September 1952. I am pleased to transmit herewith a decision of the Executive Board of the Fund based on this study.

The Fund has concluded that these practices stem from widespread difficulties presently existing in the international payments position of many countries. The Fund's consideration of this subject has shown that what is referred to as "retention quotas and similar practices" covers a wide range of exchange measures. Certain practices under this heading may be unobjectionable from the point of view of Fund policies. Other practices in this category, however, appear to result in adverse effects on exchange stability and to cause unnecessary damage to member countries. They also may lead to the adoption of retaliatory measures. The interest of the Fund in these matters clearly follows from the terms of Article VIII containing the general obligations of members with respect to the avoidance of exchange restrictions, discriminatory currency arrangements and multiple currency practices, and Article XIV dealing with these exchange measures during the transitional period.

In dealing with retention quotas and similar practices, the Board has not intended to change existing Fund standards and procedures with respect to exchange restrictions, discriminatory currency arrangements and multiple currency practices. Specifically, there was no intention to affect the existing requirements of prior consultation and approval with respect to measures of this character. Those requirements, so far as they concern multiple currency practices, were communicated to members in the Fund's letter of December 19, 1947 (Appendix II of the Fund's Annual Report of 1948). Accordingly it is expected that members intending to maintain, introduce or enlarge those retention quotas and similar practices which constitute exchange restrictions, multiple currency practices or discriminatory currency arrangements will act in accordance with existing Fund requirements.

The decision recognizes that it is not practicable to deal with all of these practices on a general basis. The Fund, therefore, wishes to deal with these arrangements on a case-to-case basis. We shall communicate as quickly as practicable with members using these practices. We are confident that members will cooperate in these individual discussions in order to enable the Fund to reach appropriate conclusions.

Yours sincerely,

/s/

IVAR ROOTH

Managing Director

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Appendix III

SUMMARY OF FUND TRANSACTIONS

from the beginning of operations
to April 30, 1953

(In millions of U. S. dollars)

Country (1)	Currency Purchased by Member Against Own Currency (2)	Member's Currency Sold by Fund to Other Members for Their Currency or Gold (3)	Member's Currency Repurchased by Member with Convertible Currency or Gold (4)	Member's Currency Used for Repurchases by Other Members (5)	Effect of Operations on Fund's Currency Holdings (columns 2 & 5 minus 3 & 4) (6)	Fund's Holdings of Members' Currencies on April 30, 1953, Expressed as Percentage of Quota (7)
Australia	50.0				50.0	121
Austria						—
Belgium	33.0	11.4	21.6		0.0	75
Bolivia						—
Brazil	121.8		84.3		37.5	100
Burma						—
Canada						75
Ceylon						95
Chile	8.8		12.5		—3.7	75
China						—
Colombia						75
Costa Rica	1.2		2.1		—0.9	75
Cuba						75
Czechoslovakia	6.0				6.0	103
Denmark	10.2				10.2	106
Dominican Republic						75
Ecuador						75
Egypt	3.0		8.5		—5.5	75
El Salvador						75
Ethiopia	0.6		0.6		0.0	99

Finland	6.5				6.5	115
France	125.0				125.0	103
Germany, Federal Republic of						90
Greece						—
Guatemala						75
Honduras						75
Iceland						75
India	100.0				100.0	118
Iran	8.				8.8	100
Iraq						100
Italy						—
Japan						—
Jordan						—
Lebanon			0.9		—0.9	75
Luxembourg						95
Mexico	22.5		22.5		0.0	75
Netherlands	75.4		75.4		0.0	75
Nicaragua	0.5		0.5		0.0	75
Norway	9.6		9.6		0.0	75
Pakistan						96
Panama						75
Paraguay	0.9				0.9	100
Peru			3.1		—3.1	75
Philippines						75
Sweden			8.0		—8.0	75
Syria			0.4		—0.4	91
Thailand						—
Turkey	15.0		5.0		10.0	98
Union of South Africa	10.0		10.0		0.0	75
United Kingdom	300.0	34.0			266.0	103
United States		878.5		179.1	—699.4	49
Uruguay						—
Venezuela						75
Yugoslavia	9.0				9.0	102
	917.7	923.9 [1]	264 8 [2]	179.1	—92.0	

[1] $917.7 million sold for currency and $6 2 million for gold.
[2] $179,068,343 35 repurchased with convertible currency and $85,769,521.70 with gold.

Appendix IV

MEMBERSHIP, QUOTAS, GOVERNORS, AND VOTING POWER

as of April 30, 1953

Member	QUOTA Amount (000,000's)	QUOTA Per Cent of Total	VOTES Governor *Alternate*	VOTES Number [1]	VOTES Per Cent of Total
Australia	$200.0	2.29	Sir Percy Spender *L. G. Melville*	2,250	2.23
Austria	50.0	0.57	Eugen Margaretha *Franz Stoeger-Marenpach*	750	0.74
Belgium	225.0	2.58	Maurice Frere *Joseph Vanheurck*	2,500	2.48
Bolivia	10.0	0.11	Franklin Antezana Paz *Vacant*	350	0.35
Brazil	150.0	1.72	Eugenio Gudin *Octavio Paranagua*	1,750	1.73
Burma	15.0	0.17	U Tin *U Hla Maung*	400	0.40
Canada	300.0	3.43	Douglas Charles Abbott *Graham F. Towers*	3,250	3.22
Ceylon	15.0	0.17	J. R. Jayawardene *John Exter*	400	0.40
Chile	50.0	0.57	Arturo Maschke *Vacant*	750	0.74
China	550.0	6.30	Chia Kan Yen *Pao-hsu Ho*	5,750	5.70
Colombia	50.0	0.57	Emilio Toro *Ignacio Copete-Lizarralde*	750	0.74
Costa Rica	5.0	0.06	Angel Coronas *Mario Fernandez*	300	0.30

Cuba	50.0	0.57	Joaquin Martinez Saenz *Bernardo Figueredo Antunez*	750	0.74
Czechoslovakia	125.0	1.43	Julius Hajek *Antonin Braidl*	1,500	1.49
Denmark	68.0	0.78	Svend Nielsen *Einar Dige*	930	0.92
Dominican Republic	5.0	0.06	Jose Ernesto Garcia Aybar *Pedro Pablo Cabral B.*	300	0.30
Ecuador	5.0	0.06	Guillermo Perez-Chiriboga *Hernan Escudero-Moscoso*	300	0.30
Egypt	60.0	0.69	Abdel Galeel El Emary *Mahmoud Saleh El Falaki*	850	0.84
El Salvador	2.5	0.03	Catalino Herrera *Manuel Melendez-Valle*	275	0.27
Ethiopia	6.0	0.07	Jack Bennett *Ato Menassie Lemma*	310	0.31
Finland	38.0	0.43	Sakari Tuomioja *Klaus Waris*	630	0.62
France	525.0	6.00	Pierre Mendes-France *Wilfrid Baumgartner*	5,500	5.45
Germany, Federal Republic of	330.0	3.78	Wilhelm Vocke *Hans Karl von Mangoldt-Reiboldt*	3,550	3.52
Greece	40.0	0.46	Xenophon Zolotas *Charalambos Theodoropoulos*	650	0.64
Guatemala	5.0	0.06	Manuel Noriega Morales *Carlos Leonidas Acevedo*	300	0.30
Honduras	2.5	0.03	Marco Antonio Batres *Roberto Ramirez*	275	0.27
Iceland	1.0	0.01	Bjorn Olafsson *Thor Thors*	260	0.26
India	400.0	4.58	Sir Chintaman D. Deshmukh *Sir B. Rama Rau*	4,250	4.21

Appendix IV *(continued)*

MEMBERSHIP, QUOTAS, GOVERNORS, AND VOTING POWER
as of April 30, 1953

	QUOTA		VOTES		
Member	Amount (000,000's)	Per Cent of Total	Governor *Alternate*	Number [1]	Per Cent of Total
Iran	$ 35.0	0.40	Mohammad Nassiri *Ebrahim Kashani*	600	0.59
Iraq	8.0	0.09	Ibrahim Shabandar *Abdul-Ghani Al-Dalli*	330	0.33
Italy	180.0	2.06	Giuseppe Pella *Ugo La Malfa*	2,050	2.03
Japan	250.0	2.86	Tadaharu Mukai *Hisato Ichimada*	2,750	2.73
Jordan	3.0	0.03	Yusuf Haikal *Omar Dajany*	280	0.28
Lebanon	4.5	0.05	Nasr Harfouche *Farid Solh*	295	0.29
Luxembourg	10.0	0.11	Pierre Dupong *Hugues Le Gallais*	350	0.35
Mexico	90.0	1.03	Antonio Carrillo Flores *Rodrigo Gomez*	1,150	1.14
Netherlands	275.0	3.15	M. W. Holtrop *E. van Lennep*	3,000	2.97
Nicaragua	2.0	0.02	Guillermo Sevilla-Sacasa *Leon DeBayle*	270	0.27
Norway	50.0	0.57	Gunnar Jahn *Christian Brinch*	750	0.74
Pakistan	100.0	1.14	Mohammad Ali *M. A. Mozaffar*	1,250	1.24

Panama	0.5	0.01	Roberto Heurtematte *Jose D. Crespo*	255	0.25
Paraguay	3.5	0.04	Juan R. Chaves *Hermogenes Gonzalez Maya*	285	0.28
Peru	25.0	0.29	Clemente de Althaus *Emilio G. Barreto*	500	0.50
Philippines	15.0	0.17	Miguel Cuaderno *Emilio Abello*	400	0.40
Sweden	100.0	1.14	M. H. Lemne *T. L. Hammarskiold*	1,250	1.24
Syria	6.5	0.07	Izzat Trabulsi *Awad Barakat*	315	0.31
Thailand	12.5	0.14	Prince Viwat *Kajit Kasemsri*	375	0.37
Turkey	43.0	0.49	Mehmet Izmen *Burhan Ulutan*	680	0.67
Union of South Africa	100.0	1.14	Nicolaas Christiaan Havenga *Daniel Hendrik Steyn*	1,250	1.24
United Kingdom	1,300.0	14.88	Richard Austen Butler *Sir George Bolton*	13,250	13.14
United States	2,750.0	31.48	George M. Humphrey *Vacant*	27,750	27.51
Uruguay	15.0	0.17	Vacant *Vacant*	400	0.40
Venezuela	15.0	0.17	J. J. Gonzalez Gorrondona *Felix Miralles*	400	0.40
Yugoslavia	60.0	0.69	Sergej Kraigher *Isak Sion*	850	0.84
	$8,736.5	100.00[2]		100,865	100.00[2]

[1] Voting power varies on certain matters with use by members of Fund resources.
[2] The figures do not add to 100 per cent because of rounding.

Appendix V

CHANGES IN MEMBERSHIP OF THE BOARD OF GOVERNORS

Changes in the membership of the Board of Governors between May 1, 1952 and April 30, 1953 have been as follows:

Fermin Silveira Zorzi, Governor for Uruguay, died in May 1952.

Nicolas Vega succeeded Milton Messina as Alternate Governor for the Dominican Republic, May 8, 1952.

Joseph Vanheurck succeeded Hubert Ansiaux as Alternate Governor for Belgium, May 15, 1952.

The term of Fernando Illanes as Alternate Governor for Chile expired May 15, 1952.

Sir George Bolton succeeded Sir Ernest Rowe-Dutton as Alternate Governor for the United Kingdom, May 19, 1952.

U Tin was appointed Governor for Burma, May 20, 1952.

U Hla Maung was appointed Alternate Governor for Burma, May 20, 1952.

Ugo La Malfa was reappointed Alternate Governor for Italy, May 30, 1952.

Hasan Polatkan succeeded Feridun Ergin as Governor for Turkey, June 13, 1952.

Daniel Hendrik Steyn succeeded John Edward Holloway as Alternate Governor for the Union of South Africa, June 17, 1952.

Franklin Antezana Paz succeeded Hector Ormachea Zalles as Governor for Bolivia, July 3, 1952.

Guillermo Perez-Chiriboga was reappointed Governor for Ecuador, July 10, 1952.

Ramon Beteta succeeded Carlos Novoa as Governor for Mexico, July 15, 1952.

Carlos Novoa succeeded Raul Martinez-Ostos as Alternate Governor for Mexico, July 15, 1952.

Bjorn Olafsson succeeded Asgeir Asgeirsson as Governor for Iceland, July 25, 1952.

Sergej Kraigher succeeded Marijan Dermastia as Governor for Yugoslavia, July 31, 1952.

Isak Sion succeeded Antonije Tasic as Alternate Governor for Yugoslavia, July 31, 1952.

Jaime Gutierrez Guerra resigned as Alternate Governor for Bolivia, August 14, 1952.

James Elliott Coyne succeeded Graham Ford Towers as Alternate Governor for Canada, August 14, 1952.

Wilhelm Vocke was appointed Governor for the Federal Republic of Germany, August 14, 1952.

Hans Karl von Mangoldt-Reiboldt was appointed Alternate Governor for the Federal Republic of Germany, August 14, 1952.

M. A. Mozaffar succeeded Yaqub Shah as Alternate Governor for Pakistan, August 14, 1952.

Ibrahim Shabandar succeeded Abdul Wahab Mirjan as Governor for Iraq, August 17, 1952.

Abdul-Ghani Al-Dalli succeeded Salih Haider as Alternate Governor for Iraq, August 17, 1952.

Hermogenes Gonzalez Maya succeeded Victor A. Pane as Alternate Governor for Paraguay, August 18, 1952.

Mehmet Izmen succeeded Hasan Polatkan as Governor for Turkey, August 18, 1952.

Julius Hajek succeeded Jaroslav Docekal as Governor for Czechoslovakia, August 19, 1952.

Antonin Braidl succeeded Antonin Bezkocka as Alternate Governor for Czechoslovakia, August 19, 1952.

Sir Percy Spender succeeded Sir Arthur Fadden as Governor for Australia, August 20, 1952.

L. G. Melville succeeded Sir Percy Spender as Alternate Governor for Australia, August 20, 1952.

Hayato Ikeda was appointed Governor for Japan, August 20, 1952.

Hisato Ichimada was appointed Alternate Governor for Japan, August 20, 1952.

Yusuf Haikal was appointed Governor for Jordan, August 27, 1952.

Omar Dajany was appointed Alternate Governor for Jordan, August 27, 1952.

Jose D. Crespo succeeded Guillermo Endara as Alternate Governor for Panama, September 2, 1952.

The term of Mario La Gamma Acevedo as Alternate Governor for Uruguay expired September 10, 1952.

Manuel Ramon Ruiz Tejada succeeded Wenceslao Troncoso as Governor for the Dominican Republic, October 11, 1952.

Pedro Pablo Cabral B. succeeded Nicolas Vega as Alternate Governor for the Dominican Republic, October 23, 1952.

Tadaharu Mukai succeeded Hayato Ikeda as Governor for Japan, November 11, 1952.

Graham Ford Towers succeeded James Elliott Coyne as Alternate Governor for Canada, November 13, 1952.

Mohammad Nassiri succeeded Ali Asghar Nasser as Governor for Iran, November 24, 1952.

Ebrahim Kashani succeeded Abbas Gholi Neysari as Alternate Governor for Iran, November 24, 1952.

Abdel Galeel El Emary succeeded Ahmed Zaki Saad as Governor for Egypt, December 1, 1952.

David K. E. Bruce resigned as Alternate Governor for the United States, effective January 20, 1953.

Antonio Carrillo Flores succeeded Ramon Beteta as Governor for Mexico, January 21, 1953.

Rodrigo Gomez succeeded Carlos Novoa as Alternate Governor for Mexico, January 21, 1953.

George M. Humphrey succeeded John W. Snyder as Governor for the United States, February 20, 1953.

Jose Ernesto Garcia Aybar succeeded Manuel Ramon Ruiz Tejada as Governor for the Dominican Republic, February 28, 1953.

Sakari Tuomioja was reappointed Governor for Finland, March 18, 1953.

Klaus Waris was reappointed Alternate Governor for Finland, March 18, 1953.

Nasr Harfouche succeeded Andre Tueni as Governor for Lebanon, April 23, 1953.

Farid Solh was reappointed Alternate Governor for Lebanon, April 23, 1953.

Appendix VI

EXECUTIVE DIRECTORS AND VOTING POWER

as of April 30, 1953

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes [1]	Per Cent of Total
APPOINTED				
Frank A. Southard, Jr. *John S. Hooker*	United States	27,750	27,750	27.93
Sir Edmund Hall-Patch *L. F. Crick*	United Kingdom	13,250	13,250	13.33
Beue Tann *Kuo-Hwa Yu*	China	5,750	5,750	5.79
Jean de Largentaye *Gabriel Ferras*	France	5,500	5,500	5.54
W. R. Natu *B. R. Shenoy*	India	4,250	4,250	4.28
ELECTED				
Octavio Paranagua (Brazil)	Bolivia	350		
	Brazil	1,750		
J. C. Gouvea Fo. (*Brazil*)	Chile	750		
	Dominican Republic	300		
	Ecuador	300		
	Panama	255		
	Paraguay	285		
	Peru	500		
	Uruguay	400	4,890	4.92
Ahmed Zaki Saad (Egypt)	Egypt	850		
	Ethiopia	310		
Albert Mansour (*Egypt*)	Iran	600		
	Iraq	330		
	Jordan	280		
	Lebanon	295		
	Pakistan	1,250		
	Philippines	400		
	Syria	315	4,630	4.66

Appendix VI *(continued)*

EXECUTIVE DIRECTORS AND VOTING POWER

as of April 30, 1953

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes [1]	Per Cent of Total
Enrique Delgado (Nicaragua)	Colombia	750		
Manuel Chavarria	Costa Rica	300		
(El Salvador)	Cuba	750		
	El Salvador	275		
	Guatemala	300		
	Honduras	275		
	Mexico	1,150		
	Nicaragua	270		
	Venezuela	400	4,470	4.50
Otto Pfleiderer (Germany, Federal Republic of)	Germany, Federal Republic of	3,550		
Otto Donner (Germany, Federal Republic of)	Yugoslavia	850	4,400	4.43
Carlo Gragnani (Italy)	Austria	750		
Costa P. Caranicas	Greece	650		
(Greece)	Italy	2,050		
	Turkey	680	4,130	4.16
Takeo Yumoto (Japan)	Burma	400		
D. W. Rajapatirana	Ceylon	400		
(Ceylon)	Japan	2,750		
	Thailand	375	3,925	3.95
Alf Kristian Eriksen (Norway)	Denmark	930		
S. T. G. Akermalm	Finland	630		
(Sweden)	Iceland	260		
	Norway	750		
	Sweden	1,250	3,820	3.84
L. G. Melville (Australia)	Australia	2,250		
L. H. E. Bury (Australia)	Union of South Africa	1,250	3,500	3.52

Appendix VI *(continued)*

EXECUTIVE DIRECTORS AND VOTING POWER

as of April 30, 1953

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes [1]	Per Cent of Total
Louis Rasminsky (Canada) *G. Neil Perry (Canada)*	Canada	3,250	3,250	3.27
D. Crena de Iongh (Netherlands) *H.M.H.A. van der Valk (Netherlands)*	Netherlands	3,000	3,000	3.02
Ernest de Selliers (Belgium) *Jean C. Godeaux (Belgium)*	Belgium	2,500		
	Luxembourg	350	2,850	2.87
			99,365[2]	100.00[3]

[1] Voting power varies on certain matters with use by members of Fund resources.

[2] This total does not include the votes of Czechoslovakia as that country did not participate in the last Regular Election of Executive Directors which was held in September 1952.

[3] The figures do not add to 100 per cent because of rounding.

Appendix VII

CHANGES IN MEMBERSHIP OF THE EXECUTIVE BOARD

Changes in the membership of the Executive Board between May 1, 1952 and April 30, 1953 have been as follows:

Sir George Bolton resigned as Executive Director for the United Kingdom, May 19, 1952.

Sir Edmund Hall-Patch was appointed Executive Director for the United Kingdom, succeeding Sir George Bolton, May 19, 1952.

L. R. W. Soutendijk served as Temporary Alternate Executive Director to J. W. Beyen, June 19-23, 1952 and August 1, 1952.

Jan Grooters served as Temporary Alternate Executive Director to J. W. Beyen, August 27, 1952.

J. W. Beyen resigned as Executive Director for the Netherlands and Norway, September 30, 1952.

Guido Carli completed his term of office as Executive Director for Austria, Greece, and Italy, October 31, 1952.

Giorgio Cigliana-Piazza completed his term of office as Alternate Executive Director to Guido Carli, October 31, 1952.

Raul Martinez-Ostos completed his term of office as Executive Director for Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Mexico, Panama, and Venezuela, October 31, 1952.

Javier Marquez completed his term of office as Alternate Executive Director to Raul Martinez-Ostos, October 31, 1952.

Nenad Popovic completed his term of office as Executive Director for Ceylon, Thailand, Turkey, and Yugoslavia, October 31, 1952.

Enrique Delgado was elected Executive Director by Colombia, Costa Rica, Cuba, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Venezuela, effective November 1, 1952.

Manuel Chavarria was appointed Alternate Executive Director to Enrique Delgado, effective November 1, 1952.

Alf Kristian Eriksen was elected Executive Director by Denmark, Finland, Iceland, Norway, and Sweden, effective November 1, 1952.

S. T. G. Akermalm was appointed Alternate Executive Director to Alf Kristian Eriksen, effective November 1, 1952.

Carlo Gragnani was elected Executive Director by Austria, Greece, Italy, and Turkey, effective November 1, 1952.

Costa P. Caranicas was appointed Alternate Executive Director to Carlo Gragnani, effective November 1, 1952.

A. M. de Jong was elected Executive Director by the Netherlands, effective November 1, 1952.

H. M. H. A. van der Valk completed his term of office as Alternate Executive Director to J. W. Beyen, October 31, 1952, and was appointed Alternate Executive Director to A. M. de Jong, November 1, 1952.

L. G. Melville was reelected Executive Director by Australia and the Union of South Africa, effective November 1, 1952.

L. H. E. Bury was reappointed Alternate Executive Director to L. G. Melville, November 1, 1952.

Octavio Paranagua completed his term of office as Executive Director for Bolivia, Brazil, Chile, Dominican Republic, Honduras, Nicaragua, Paraguay, Peru, and Uruguay, October 31, 1952, and was elected Executive Director by Bolivia, Brazil, Chile, Dominican Republic, Ecuador, Panama, Paraguay, Peru, and Uruguay, effective November 1, 1952.

Otto Pfleiderer was elected Executive Director by the Federal Republic of Germany and Yugoslavia, effective November 1, 1952.

Otto Donner was appointed Alternate Executive Director to Otto Pfleiderer, effective November 1, 1952.

Louis Rasminsky completed his term of office as Executive Director for Canada and Iceland, October 31, 1952, and was elected Executive Director by Canada, effective November 1, 1952.

G. Neil Perry was reappointed Alternate Executive Director to Louis Rasminsky, effective November 1, 1952.

Ahmed Zaki Saad completed his term of office as Executive Director for Egypt, Ethiopia, Iran, Iraq, Lebanon, Pakistan, the Philippines, and Syria, October 31, 1952, and was elected Executive Director by Egypt, Ethiopia, Iran, Iraq, Jordan, Lebanon, Pakistan, the Philippines, and Syria, effective November 1, 1952.

Ernest de Selliers completed his term of office as Executive Director for Belgium, Denmark, Finland, and Luxembourg, October 31, 1952, and was elected Executive Director by Belgium and Luxembourg, effective November 1, 1952.

Takeo Yumoto was elected Executive Director by Burma, Ceylon, Japan, and Thailand, effective November 1, 1952.

D. W. Rajapatirana completed his term of office as Alternate Executive Director to Nenad Popovic, October 31, 1952, and was appointed Alternate Executive Director to Takeo Yumoto, November 1, 1952.

A. M. de Jong resigned as Executive Director for the Netherlands, January 1, 1953.

D. Crena de Iongh was elected Executive Director for the Netherlands, succeeding A. M. de Jong, January 1, 1953.

H. M. H. A. van der Valk was appointed Alternate Executive Director to D. Crena de Iongh, January 1, 1953.

Charles P. Hargreaves resigned as Alternate Executive Director to Octavio Paranagua, January 24, 1953.

J. C. Gouvea Fo. was appointed Alternate Executive Director to Octavio Paranagua, succeeding Charles P. Hargreaves, effective January 25, 1953.

Albert Barraud resigned as Alternate Executive Director to Jean de Largentaye, February 5, 1953.

A. M. Stamp resigned as Alternate Executive Director to Sir Edmund Hall-Patch, February 5, 1953.

L. F. Crick was appointed Alternate Executive Director to Sir Edmund Hall-Patch, succeeding A. M. Stamp, effective February 6, 1953.

Gabriel Ferras was appointed Alternate Executive Director to Jean de Largentaye, succeeding Albert Barraud, effective April 1, 1953.

Appendix VIII (i)

ADMINISTRATIVE BUDGET

Letter of Transmittal

July 1, 1953

My dear Mr. Chairman:

The administrative budget of the Fund for the Fiscal Year ending April 30, 1954, as approved by the Board of Executive Directors, is presented for the information of the Board of Governors in accordance with Section 20 of the By-Laws.

The presentation includes the actual experience for the Fiscal Year 1951-52, and the budget and actual expenditures for the Fiscal Year 1952-53 as compared with the administrative budget for the Fiscal Year 1953-54.

I should like to repeat again this year that previous experience has shown that it is impossible to predict whether the Fund will require precisely the amounts budgeted. The amounts estimated are an expression of present administrative plans without provision for unforeseen contingencies or inauguration of extraordinary programs. Should such contingencies arise or present plans change materially, the amounts now budgeted may have to be changed.

Yours sincerely,

/s/

IVAR ROOTH

Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

Appendix VIII (ii)

ADMINISTRATIVE BUDGET

As Approved by the Executive Board for the Fiscal Year Ending April 30, 1954,[1] Compared with Actual Expenditures for the Fiscal Years 1951-52 and 1952-53

Category of Expenditure	Budget F.Y. 1953-54	Actual Expenditures F.Y. 1952-53[2]
I. BOARD OF GOVERNORS	$ 117,000.00	$ 220,573.44
II. OFFICE OF EXECUTIVE DIRECTORS		
Personal services	$ 587,700.00	$ 514,672.37
Contributions to Retirement Plan and other benefits	88,300.00	83,087.19
Travel	65,000.00	79,493.81
Total	$ 741,000.00	$ 677,253.37
III. STAFF		
Personal services	$2,543,800.00	$2,370,940.41
Contributions to Retirement Plan and other benefits	624,200.00	590,204.52
Travel	320,000.00	227,878.62
Total	$3,488,000.00	$3,189,023.55
IV. OTHER ADMINISTRATIVE EXPENSES		
Communications	$ 109,000.00	$ 106,234.04
Office occupancy expenses	454,500.00	470,004.35
Books and printing	126,700.00	106,760.82
Supplies and equipment	59,800.00	70,885.77
Miscellaneous	44,500.00	42,917.24
Total	$ 794,500.00	$ 796,802.22
TOTAL	$5,140,500.00[3]	$4,883,652.58

Category of Expenditure	F.Y. 1952-53		Actual Expenditures F.Y. 1951-52
	Budget	Actual Expenditures	
Personal Services	$3,396,500.00	$3,225,282.00	$3,201,094.86
Contributions to Retirement Plan and Other Benefits	357,500.00	333,622.49	353,176.65
Travel	328,000.00	307,372.43	310,922.06
Communications	110,500.00	106,234.04	97,635.81
Office Occupancy Expenses	486,250.00	470,004.35	435,099.04
Books and Printing	135,564.00	106,760.82	135,275.22
Supplies and Equipment	89,714.00	70,885.77	90,056.43
Meetings of the Board of Governors	222,000.00	220,573.44	103,425.75
Miscellaneous	48,350.00	42,917.24	43,656.76
TOTAL	$5,174,378.00[4]	$4,883,652.58	$4,770,342.58

[1] For the fiscal year 1953-54, the presentation of the budget has been redesigned to reflect more accurately the Fund's expenditure pattern. The categories in the left columns are used for the first time in this budget; those in the right columns were used in the budgets up to and including the fiscal year 1952-53. [2] This column is included to facilitate comparison of the fiscal year 1952-53 expenditures with the new budget presentation for the fiscal year 1953-54. [3] Includes $3,000 for liquidation of prior year commitments. [4] Includes $5,078 for liquidation of prior year commitments.

Appendix VIII (iii)

COMPARATIVE STATEMENT OF INCOME

(Values expressed in U.S. dollars on basis of established parities)

INCOME	Year ended Apr. 30, 1951	Year ended Apr. 30, 1952	Year ended Apr. 30, 1953
Service charges received in gold	$ 210,000.00	$ 236,718.75	$ 330,625.00
Charges on Fund's holdings of members' currencies and securities in excess of quotas			
Received in gold	$1,551,311.89	$2,167,905.40	$2,627,280.47
Received in members' currencies	888,866.14	703,265.96	905,934.38
Outstanding	8,536.19[1]	123,424.63[1]	22,456.00
Total	$2,448,714.22	$2,994,595.99	$3,555,670.85
Sales of Fund's publications	$ 12,922.28	$ 14,412.05	$ 14,052.40
Other operational income		6,250.14	262,059.12
Miscellaneous income	235.98	216.20	328.43
TOTAL INCOME	$2,671,872.48	$3,252,193.13	$4,162,735.80
TOTAL ADMINISTRATIVE EXPENDITURE	$4,597,255.96	$4,770,342.58	$4,883,652.58

[1] Since paid.

Appendix IX (i)

BALANCE SHEET, STATEMENT OF INCOME AND EXPENDITURE AND SUPPORTING SCHEDULES

Letter of Transmittal

July 1, 1953

My dear Mr. Chairman:

In accordance with Section 20 (b) of the By-Laws of the Fund, I have the honor to submit for the consideration of the Board of Governors the audited balance sheet and the audited statement of income and expenditure of the Fund for the year ended April 30, 1953, together with the Auditors' Certificate, as well as audited financial statements of the Staff Retirement Fund.

In conformity with the By-Laws, the external audit of the Fund has been performed by an Audit Committee consisting of auditors nominated by three member countries. At the Fund's request, Cuba, Norway, and the United Kingdom nominated auditors to serve on this Committee. They respectively nominated Mr. Manuel de J. Fernandez Cepero, Certified Public Accountant, Professor of Accountancy at Havana University, and an official of the Banco Nacional de Cuba; Mr. Vidkunn Hake Schirmer, an official of the Norges Bank; and Mr. W. S. J. Thornington, Deputy Director of Audit in the Comptroller and Auditor General's Office. The auditors thus nominated were confirmed by the Executive Directors.

It will be noted that, in the period under review, expenditure exceeded income by $723,720.66, and that the total excess of expenditure over income from inception to April 30, 1953 is thus increased to $7,964,958.36.

The detailed report of the Audit Committee is being submitted separately to the Board of Governors.

Yours sincerely,

/s/

IVAR ROOTH

Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

Appendix IX (ii)

AUDITORS' CERTIFICATE

We have made an independent examination of the Balance Sheet of the International Monetary Fund as at April 30, 1953, of the Statement of Income and Expenditure for the fiscal year then ended, and of the schedules related to such financial statements. As required by Section 20 of the Fund's By-Laws, our examination was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary in the circumstances. We have examined or tested, to the extent deemed appropriate, the accounting records of the Fund and other supporting evidence of its financial transactions; we have ascertained generally and to the extent practicable that financial transactions have been conducted in compliance with the Fund's requirements; and we have obtained from the officers and staff of the Fund all such information and representations as we have required in the conduct of our audit. We have also reviewed the accounting methods and system of internal control.

In our opinion, based on our examination, such Balance Sheet and related Statement of Income and Expenditure, together with the notes appearing thereon, present fairly the financial position of the International Monetary Fund as at April 30, 1953, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of previous fiscal years.

/s/ Manuel de J. Fernandez Cepero (Cuba)

/s/ V. H. Schirmer (Norway)

/s/ W. S. J. Thornington (United Kingdom)

APPENDIX
BALANCE
April 30,

Values expressed in United States dollars

ASSETS

GOLD WITH DEPOSITORIES (See Note 2)		$1,692,628,272.55
(48,360,807.787 fine ounces at US$35.00 per ounce)		
CURRENCY AND SECURITIES WITH DEPOSITORIES		
Currency	$ 815,863,166.99	
Securities	5,162,673,125.47	5,978,536,292.46
(non-negotiable, non-interest-bearing, demand obligations payable at face value by members in their currencies)		
SUBSCRIPTIONS TO CAPITAL—RECEIVABLE		
Balances due	$ 7,498,959.94	
(members whose par values have been established)		
Balances not due	1,049,198,505.08	1,056,697,465.02
(members whose par values have not yet been established)		
OTHER ASSETS (See Note 3)		1,060,741.47
(other cash, receivables, etc.)		
TOTAL ASSETS		$8,728,922,771.50

NOTES:
1. With the exception of French francs and Peruvian soles which, for bookkeeping purposes, are computed at provisional rates of 349.600 francs and 15.0000 soles per U. S. dollar.
2. Excludes 2,388.142 fine ounces earmarked for members; see page 127.
3. The assets and liabilities of the Staff Retirement Fund are not included in this Balance Sheet.

IX (iii)

SHEET

1953

on the basis of established parities (See Note 1)

CAPITAL, RESERVES, AND LIABILITIES

CAPITAL		
Authorized subscriptions of members		$8,736,500,000.00
Deduct: Excess of expenditure over income		
From inception to April 30, 1952	$7,241,237.70	
For year ended April 30, 1953	723,720.66	7,964,958.36
Net capital		$8,728,535,041.64
RESERVES		
Reserve for potential cost of turning certain gold into new bars	$ 69,646.42	
Reserve for potential cost of converting purchased gold into currency	21,438.91	91,085.33
LIABILITIES (See Note 3) *(accounts payable, deferred income, etc.)*		296,644.53
TOTAL CAPITAL, RESERVES, AND LIABILITIES		$8,728,922,771.50

/s/ Y. C. Koo,
Treasurer

/s/ Charles M. Powell,
Comptroller and
Assistant Treasurer

/s/ Ivar Rooth,
Managing Director

Appendix IX (iv)

STATEMENT OF INCOME and EXPENDITURE

for the year ended April 30, 1953

INCOME

Income from operations			
Service charges		$ 330,625.00	
Charges on balances in excess of quota		3,555,670.85	
Other operational income		262,059.12	$4,148,354.97
Other income			
Sales of Fund's publications		$ 14,052.40	
Miscellaneous income		328.43	14,380.83
TOTAL INCOME			$4,162,735.80

EXPENDITURE

Personal services			
Salaries and wages	$2,885,612.78		
Income tax reimbursements	315,880.42		
Expense allowance (for Managing Director)	10,000.00		
Installation allowances	7,425.00		
Emergency service differential	6,363.80	$3,225,282.00	
Contributions to Retirement Plan and other benefits			
Retirement contributions	$ 315,690.37		
Health and hospitalization	16,768.51		
Contributions to staff relations and welfare	1,163.61	333,622.49	
Travel			
Business travel	$ 158,431.35		
Appointment travel	32,297.46		
Repatriation travel	61,154.50		
Home leave travel	55,489.12	307,372.43	
Communication services			
Postage	$ 38,925.16		
Telephone	43,210.69		
Telegraph	24,098.19	106,234.04	
Office occupancy expenses			
Rents, maintenance, and utilities	$ 449,552.85		
Building alterations	20,451.50	470,004.35	
Carried forward		$4,442,515.31	$4,162,735.80

Appendix IX (iv) *(continued)*

STATEMENT OF INCOME and EXPENDITURE

for the year ended April 30, 1953

TOTAL INCOME (brought forward)			$4,162,735.80
EXPENDITURE (continued)			
Administrative expenditure (brought forward)		$4,442,515.31	
Books and printing			
Books, newspapers, and periodicals	$ 20,544.08		
Contractual printing	86,216.74	106,760.82	
Supplies and equipment			
Expendable supplies	$ 26,500.17		
Office equipment and furnishings	32,621.31		
Automotive equipment and supplies	3,827.83		
Maintenance of equipment	7,936.46	70,885.77	
Meetings of the Board of Governors		220,573.44	
Miscellaneous			
Insurance	$ 11,650.49		
Representation	5,052.84		
External audit	8,001.17		
Sundry contractual services	15,107.80		
Freight and express	1,936.60		
Sundries	1,168.34	42,917.24	
TOTAL ADMINISTRATIVE EXPENDITURE		$4,883,652.58	
Gold handling charges	$ 2,819.20		
Exchange adjustments	Cr. 15.32	2,803.88	
TOTAL EXPENDITURE			4,886,456.46
EXCESS OF EXPENDITURE OVER INCOME (carried to Balance Sheet)			$ 723,720.66

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Appendix IX (v)
GOLD WITH DEPOSITORIES
April 30, 1953
Valued at US$35 per fine ounce

	Fine Ounces	Equivalent in U.S. Dollars
Gold with depositories	48,360,807.787	1,692,628,272.55

The above gold does not include 2,388.142 fine ounces earmarked by the Fund for the following members in respect of excess payments of charges:

	Fine Ounces		Fine Ounces
Australia	.031	Lebanon	.784
Brazil	.495	Mexico	57.158
Chile	37.521	Netherlands	156.961
Czechoslovakia	73.531	Nicaragua	8.026
Denmark	352.637	Norway	369.864
Egypt	20.282	Paraguay	.552
Ethiopia	8.247	Syria	1.084
Finland	2.270	Turkey	217.500
India	165.460	United Kingdom	250.097
Iran	585.750	Yugoslavia	79.892

Appendix IX (vi)

CURRENCIES AND SECURITIES WITH DEPOSITORIES

April 30, 1953

Depositories	National Currencies	Amounts in Members' Currencies				Exchange Rates [1]	Equivalent in U.S. Dollars
		Securities	No. 1 Accounts	No. 2 Accounts	Total		
Commonwealth Bank of Australia	Pounds	76,575,000.0.0	31,268,180.19.10	1,659.13.2	107,844,840.13.0	224.000#	241,572,443.06
Banque Nationale de Belgique, S.A.	Francs	8,324,889,561.24	112,040,000.00	128,335.11	8,437,057,896.35	50.0000	168,741,157.92
Superintendencia da Moeda e do Credito (Brazil)	Cruzeiros		2,774,929,442.50	8,518.20	2,774,937,960.70	18.5000	149,996,646.52
Bank of Canada	Dollars	243,400,000.00	4,088,200.00	709.55	247,488,909.55	1.10000	224,989,917.78
Central Bank of Ceylon	Rupees	67,100,000.00	737,332.90	2,774.61	67,840,107.51	21.0000#	14,246,422.58
Banco Central de Chile	Pesos		1,162,353,010.87	157,603.73	1,162,510,614.60	31.0000	37,500,342.40
Banco de la República (Colombia)	Pesos		73,114,041.17	1,783.07	73,115,824.24	1.94998	37,495,679.06
Banco Central de Costa Rica	Colones		21,035,457.46	8,055.05	21,043,512.51	5.61500	3,747,731.53
Banco Nacional de Cuba	Pesos		37,487,613.64	900.45	37,488,514.09	1.00000	37,488,514.09
Czechoslovak State Bank	Korunas	5,552,378,996.00	887,031,311.80	28,332.70	6,439,438,640.50	50.0000	128,788,772.81
Danmarks Nationalbank	Kroner	479,623,010.92	19,767,450.06	7,498.36	499,397,959.34	6.90714	72,301,699.31
Banco Central de la República Dominicana	Pesos	3,248,000.00	500,987.33	876.00	3,749,863.33	1.00000	3,749,863.33
Banco Central del Ecuador	Sucres		56,232,752.37	9,959.48	56,242,711.85	15.0000	3,749,514.12
National Bank of Egypt	Pounds	15,460,170.375	208,595.660	369.695	15,669,135.730	287.156#	44,994,863.40
Banco Central de Reserva de El Salvador	Colones		4,681,405.50	2,426.43	4,683,831.93	2.50000	1,873,532.77
State Bank of Ethiopia	Dollars	13,377,375.30	1,363,385.33	2,374.74	14,743,135.37	40.2500#	5,934,111.99
Bank of Finland	Markkas	8,474,898,839.00	1,584,900,000.00	110,626.00	10,059,909,465.00	230.000	43,738,736.81
Banque de France	Francs	187,550,000,000.	1,839,335,464.	193,611.	189,389,529,075.	349.600*	541,732,062.57
Bank Deutscher Länder	D. Marks	1,233,400,000.00	13,955,263.70	3,778.31	1,247,359,042.01	4.20000	296,990,248.10
Banco de Guatemala	Quetzales		3,744,940.19	2,114.25	3,747,054.44	1.00000	3,747,054.44
Banco Central de Honduras	Lempiras	3,647,881.12	100,000.00	1,980.00	3,749,861.12	2.00000	1,874,930.56
National Bank of Iceland	Krónur		12,183,211.65	20,146.91	12,203,358.56	16.2857	749,329.70
Reserve Bank of India	Rupees	1,786,600,000.0.0	462,991,526.4.7	3,866.7.7	2,249,595,392.12.2	21.0000#	472,415,032.47
Bank Melli Iran	Rials	1,116,877,569.30	11,287,500.00	23,444.50	1,128,188,513.80	32.2500	34,982,589.57
National Bank of Iraq	Dinars	2,569,125.000	287,372.319	255.444	2,856,752.763	280.000#	7,998,907.74
Banque de Syrie et du Liban, Beyrouth, Lebanon	Pounds		7,382,572.00	2,001.55	7,384,573.55	2.19148	3,369,674.17

Caisse d'Epargne de l'Etat (Luxembourg)	Francs	470,886,334.80	5,000,000.00	24,433.09	475,910,76.	20.80	9,518,215.35
Banco de Mexico, S.A.	Pesos		583,217,197.65	5,145.71	583,222,343.36	8.65000	67,424,548.36
De Nederlandsche Bank N.V.	Guilders	773,000,000.00	10,745,826.17	4,495.79	783,750,321.96	3.80000	206,250,084.73
Departmento de Emisión, Banco Nacional de Nicaragua	Córdobas		7,491,941.32	1,699.20	7,493,640.52	5.00000	1,498,728.11
Norges Bank	Kroner	263,848,315.10	3,974,941.41	9,848.16	267,833,104.67	14.0000#	37,496,634.66
State Bank of Pakistan [2]	Rupees	315,947,652.0.0	3,308,520.0.0	3,364.7.6	319,259,536.7.6	3.30852	96,496,178.50
Banco Nacional de Panama	Balboas	369,000.00	4,999.75	863.30	374,863.05	1.00000	374,863.05
Banco Central del Paraguay	Guaraníes		20,982,228.96	6,403.42	20,988,632.38	6.00000	3,498,105.39
Banco Central de Reserva del Peru	Soles	277,468,706.50	3,750,000.00	18,513.67	281,237,220.17	15.0000*	18,749,148.02
Central Bank of the Philippines	Pesos	22,000,000.00	494,902.42	1,550.88	22,496,453.30	2.00000	11,248,226.65
Sveriges Riksbank	Kronor		387,978,594.61	3,197.13	387,981,791.74	5.17321	74,998,268.34
Banque de Syrie et du Liban, Damascus, Syria	Pounds	12,447,000.00	504,377.96	2,610.12	12,953,988.08	2.19148	5,911,068.36
Banque Centrale de la République de Turquie	Liras	78,250,000.00	40,040,264.33	1,410.70	118,291,675.03	2.80000	42,247,026.79
South African Reserve Bank	Pounds	26,405,574.8.7	377,389.11.7	381.16.1	26,783,345.16.3	280.000#	74,993,368.28
Bank of England	Pounds	471,250,000.0.0	4,664,563.12.4	8,652.18.4	475,923,216.10.8	280.000#	1,332,585,006.29
Federal Reserve Bank of New York	Dollars	1,258,000,000.00	79,720,524.54	153,076.64	1,337,873,601.18	100.000#	1,337,873,601.18
Riggs National Bank, Washington, D. C.[3]	Dollars			191,227.21	191,227.21	100.000#	191,227.21
Banco Central de Venezuela	Bolivares	32,659,359.42	5,014,000.00	656.15	37,674,015.57	3.35000	11,245,974.79
Banque Nationale de la République Fédérative Populaire de Yougoslavie	Dinars		18,349,612,537.50	259,344.00	18,349,871,881.50	300.000	61,166,239.60
TOTALS (Equivalent in U.S. dollars)		$5,162,673,125.47	$815,449,320.89	$413,846.10	$5,978,536,292.46		$5,978,536,292.46

[1] Parity rates, except for those marked * which are provisional rates for bookkeeping purposes. Rates marked # represent U.S. cents per currency unit; all other rates represent currency units per U.S. dollar. [2] Pakistan: The 315,947,652 rupees shown above for Securities includes 5,000 rupees in respect of which the State Bank of Pakistan, at April 30, 1953, awaited a Treasury Note from the Ministry of Finance. The Note has since been received by the State Bank of Pakistan. [3] A checking account is maintained with Riggs National Bank, Washington, D. C., for the purpose of making local payments for administrative expenditure.

Appendix IX (vii)

STATUS OF SUBSCRIPTIONS TO CAPITAL

April 30, 1953

(expressed in U.S. dollars)

Members	Quotas	Payments on Subscriptions to Capital			Subscriptions to Capital Receivable	
		1/100 of 1% Paid in U.S. Dollars [1]	Paid in Gold	Paid in Member's Currency	Balances Due (Par Values Established)	Balances not Due (Par Values not Established)
Australia	200,000,000.00		8,404,843.20	191,595,156.80		
Austria	50,000,000.00					50,000,000.00
Belgium	225,000,000.00	22,500.00	56,227,500.00	168,750,000.00		
Bolivia	10,000,000.00	1,000.00	2,500,040.06		7,498,959.94	
Brazil	150,000,000.00	15,000.00	37,485,030.14	112,499,969.86		
Burma	15,000,000.00		500,369.14			14,499,630.86
Canada	300,000,000.00	30,000.00	74,970,000.00	225,000,000.00		
Ceylon	15,000,000.00		751,010.09	14,248,989.91		
Chile	50,000,000.00	5,000.00	8,813,013.93	41,181,986.07		
China	550,000,000.00	55,000.00				549,945,000.00
Colombia	50,000,000.00	5,000.00	12,495,150.61	37,499,849.39		
Costa Rica	5,000,000.00	500.00	373,700.09	4,625,799.91		
Cuba	50,000,000.00	5,000.00	12,495,386.36	37,499,613.64		
Czechoslovakia	125,000,000.00	12,500.00	2,361,151.14	122,626,348.86		
Denmark	68,000,000.00	6,800.00	5,934,983.32	62,058,216.68		
Dominican Republic	5,000,000.00	500.00	1,249,512.67	3,749,987.33		
Ecuador	5,000,000.00	500.00	1,249,612.81	3,749,887.19		
Egypt	60,000,000.00	4,500.00	9,484,075.69	50,511,424.31		
El Salvador	2,500,000.00	250.00	624,787.80	1,874,962.20		
Ethiopia	6,000,000.00	600.00	61,752.22	5,937,647.78		

Finland	38,000,000.00		760,222.44	37,239,777.56		
France	525,000,000.00	52,500.00	108,056,306.15	416,891,193.85		
Germany, Federal Republic of	330,000,000.00		33,009,651.50	296,990,348.50		
Greece	40,000,000.00	4,000.00				39,996,000.00
Guatemala	5,000,000.00	500.00	1,249,559.81	3,749,940.19		
Honduras	2,500,000.00	250.00	624,809.44	1,874,940.56		
Iceland	1,000,000.00	100.00	249,900.28	749,999.72		
India	400,000,000.00	40,000.00	27,486,453.61	372,473,546.39		
Iran	35,000,000.00	2,500.00	8,764,707.14	26,232,792.86		
Iraq	8,000,000.00	800.00		7,999,200.00		
Italy	180,000,000.00	18,000.00				179,982,000.00
Japan	250,000,000.00		62,500,000.15			187,499,999.85
Jordan	3,000,000.00		97,617.49			2,902,382.51
Lebanon	4,500,000.00	450.00	267,415.12	4,232,134.88		
Luxembourg	10,000,000.00	1,000.00	479,995.96	9,519,004.04		
Mexico	90,000,000.00	9,000.00	22,491,205.14	67,499,794.86		
Netherlands	275,000,000.00	27,500.00	68,722,500.00	206,250,000.00		
Nicaragua	2,000,000.00	200.00	499,975.66	1,499,824.34		
Norway	50,000,000.00	5,000.00	12,495,054.90	37,499,945.10		
Pakistan	100,000,000.00		3,500,607.22	96,499,392.78		
Panama	500,000.00	50.00	124,950.25	374,999.75		
Paraguay	3,500,000.00	200.00	875,496.47	2,624,303.53		
Peru	25,000,000.00	2,500.00	3,149,921.00	21,847,579.00		
Philippine Republic	15,000,000.00	1,500.00	3,748,548.79	11,249,951.21		
Sweden	100,000,000.00		17,000,086.78	82,999,913.22		
Syria	6,500,000.00	650.00	169,187.17 [2]	6,330,162.83		
Thailand	12,500,000.00		3,125,008.14			9,374,991.86
Turkey	43,000,000.00	4,300.00	10,745,912.23	32,249,787.77		
Union of South Africa	100,000,000.00	10,000.00	24,994,519.20	74,995,480.80		
United Kingdom	1,300,000,000.00	130,000.00	236,135,323.70	1,063,734,676.30		
United States	2,750,000,000.00	275,000.00	687,500,000.11	2,062,224,999.89		
Uruguay	15,000,000.00	1,500.00				14,998,500.00
Venezuela	15,000,000.00	1,500.00	3,748,541.96	11,249,958.04		
Yugoslavia	60,000,000.00	6,000.00	7,896,966.11	52,097,033.89		
TOTALS	8,736,500,000.00	759,650.00	1,586,452,363.19	6,092,590,521.79	7,498,959.94	1,049,198,505.08

[1] As per Article XX, Section 2(d), of the Articles of Agreement.
[2] Accepted provisionally.

Appendix IX (viii)

OTHER ASSETS

April 30, 1953

CASH		
On hand	$ 1,100.00	
With European Office	3,932.97	$ 5,032.97
SUNDRY DEBTORS		
Deposits	$ 1,520.00	
Commercial accounts	17,528.37	
Salary advances	22,646.50	
Travel advances	11,372.47	
Other receivables	8,463.03	61,530.37
PREPAYMENTS		
Postage	$ 4,406.27	
Insurance	5,045.61	
Travel	20,735.95	
Other	4,433.22	34,621.05
ACCOUNTS RECEIVABLE—MEMBERS *(mainly charges on Fund's holdings of currencies in excess of quotas)*		959,557.08
FURNITURE, EQUIPMENT, AND AUTOMOBILES		
Furniture and equipment at cost	$505,170.21	
Automotive equipment at cost	11,046.38	
	$516,216.59	
Less: Reserve	516,216.59	—
LIBRARIES		
Cost of books for Law Library	$ 23,859.22	
Investment in Joint Library	29,537.82	
	$ 53,397.04	
Less: Reserve	53,397.04	—
TOTAL OTHER ASSETS, PER BALANCE SHEET		$1,060,741.47

LIABILITIES

April 30, 1953

ACCRUALS *(mainly personal services and office occupancy)*	$ 290,215.35
ACCOUNTS PAYABLE	1,299.01
DEFERRED CREDITS *(mainly subscriptions to Fund's publications for periods after April 30, 1953)*	5,130.17
TOTAL LIABILITIES, PER BALANCE SHEET	$ 296,644.53

Appendix IX (ix)

SUMMARY OF TRANSACTIONS

for the year ended April 30, 1953

1. EXCHANGE TRANSACTIONS

(a) Currency sold by Fund (U.S. dollars) .... $ 66,125,000.00

(b) Currency purchased by Fund, from

			Equivalent in US$
Paraguay:	5,250,000.00	guaranies	875,000.00
Turkey:	28,000,000.00	liras	10,000,000.00
Australia:	13,392,857.2.10	pounds	30,000,000.00
Finland:	1,035,000,000.00	markkas	4,500,000.00
	460,000,000.00	markkas	2,000,000.00
Brazil:	346,875,000.00	cruzeiros	18,750,000.00
		TOTAL PURCHASED BY FUND	$ 66,125,000.00

2. REPURCHASES

(a) Currency repurchased from Fund, by

			Equivalent in US$
Syria:	916,038.63	pounds	418,000.00
Turkey:	13,993,641.40	liras	4,997,729.07
Chile:	280,404,557.15	pesos	9,045,308.30
Brazil:	1,558,625,000.00	cruzeiros	84,250,000.00
Peru:	46,459,480.95	soles	3,097,298.72
Netherlands:	285,571,700.00	guilders	75,150,447.37
Sweden:	41,382,386.46	kronor	7,999,378.80
		TOTAL REPURCHASED FROM FUND	$184,958,162.26

b) Currency and gold paid to Fund

U.S. dollars	$125,477,293.77
Gold: 1,699,453.385 fine ounces	59,480,868.49
TOTAL CURRENCY AND GOLD PAID TO FUND	$184,958,162.26

Appendix IX (x)
STAFF RETIREMENT FUND
AUDITORS' CERTIFICATE

We have made an independent examination of the accounts of the Staff Retirement Fund of the International Monetary Fund for the year ended April 30, 1953. Our examination was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary in the circumstances. In that connection, consideration was given to the authority and other requirements governing transactions of the Staff Retirement Fund.

The examination did not include a verification of the individual participants' accounts as at April 30, 1953, except for inquiry into certain of such accounts as a consequence of the application of auditing procedures to the other accounts of the Staff Retirement Fund. We ascertained, however, that the Internal Auditor of the International Monetary Fund had made a detailed audit of all participants' individual accounts as at April 30, 1953, and we satisfied ourselves that application of the auditing procedures adopted by him would be adequate to insure the correctness of such individual accounts with regard for eligibility, contributions, and interest allowed.

In our opinion, the Balance Sheet and related Statements of the Participants' Account, Accumulation Account, Retirement Reserve Account, Reserve against Corporate Stocks Investments Account, and of the Sources and Application of Funds, together with the notes appearing thereon, present fairly the financial position of the Staff Retirement Fund of the International Monetary Fund as at April 30, 1953, and the results of operations for the year ended that date, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the previous fiscal year.

/s/ MANUEL DE J. FERNANDEZ CEPERO (Cuba)
/s/ V. H. SCHIRMER (Norway)
/s/ W. S. J. THORNINGTON (United Kingdom)

Appendix IX (xi)

STAFF RETIREMENT FUND

BALANCE SHEET

April 30, 1953

ASSETS

CASH IN BANK			
The Riggs National Bank, Washington, D. C.		$ 26,645.29	
The Chase National Bank of the City of New York, N. Y.		421.35	$ 27,066.64
DEPOSIT			12,500.00
(against subscription for 3¼% U.S. Treasury bonds issuable May 1, 1953)			
INVESTMENTS (Book Value) (See page 142, and Note 1, page 145.)			
Bonds			
United States Government	$1,123,267.19		
International Bank for Reconstruction and Development (market value, $325,680.00)	346,517.81		
Commercial (market value, $396,341.25)	447,426.36	$1,917,211.36	
Corporate Stocks			
Common (market value, $510,082.25)		493,092.63	
		$2,410,303.99	
Less: Reserve against Corporate Stock Investments (See Note 2, page 145.)		10,105.54	2,400,198.45
ACCRUED INTEREST ON BONDS			9,570.73
ACCRUED CONTRIBUTIONS RECEIVABLE FROM INTERNATIONAL MONETARY FUND			20,094.43
TOTAL ASSETS			$2,469,430.25

LIABILITIES AND RESERVES

PARTICIPANTS' ACCOUNT (See page 136.)	$ 659,207.40
ACCUMULATION ACCOUNT (See page 137.)	1,753,802.92
RETIREMENT RESERVE ACCOUNT (See page 138.)	56,419.93
TOTAL LIABILITIES AND RESERVES	$2,469,430.25

See Notes on page 145, which are an integral part of this Statement.

Appendix IX (xii)

STAFF RETIREMENT FUND

STATEMENT OF PARTICIPANTS' ACCOUNT

for the year ended April 30, 1953

	Prior Service	Participating Service	Additional Contributions
BALANCE, April 30, 1952.....	$14,151.35	$499,433.88	$6,408.59
Add			
Participants' contributions..	4,042.86	163,810.46	2,220.00
Interest credited to participants..................	1,250.22	13,935.10	160.87
Transfers from prior service contributions...........		10,299.46	
Transfer from Retirement Plan of International Bank for Reconstruction and Development.......		7,042.27	
	$19,444.43	$694,521.17	$8,789.46
Deduct			
Refunds upon participants' withdrawals............	123.49	49,550.61	2,216.56
Transfers to participating service contributions.....	10,299.46		
Transfer to Retirement Reserve...................		1,357.54	
	$ 9,021.48	$643,613.02	$6,572.90
TOTAL (carried to Balance Sheet)..		$659,207.40	

See Notes on page 145, which are an integral part of this Statement.

Appendix IX (xiii)

STAFF RETIREMENT FUND

STATEMENT OF ACCUMULATION ACCOUNT

for the year ended April 30, 1953

BALANCE, April 30, 1952		$1,386,672.75
Add		
Employer's contributions		
Participating service (See Note 3, page 145.)		321,270.21
Interest received from participants		
On unpaid prior service contributions	$ 466.44	
Other	3.84	470.28
Transfer from Retirement Plan of International Bank for Reconstruction and Development		15,195.46
Accumulation of discount on investments (net)		460.19
Income from investments		
Interest on bonds	$48,450.10	
Dividends on stocks	17,699.75	
Other	35.75	66,185.60
		$1,790,254.49
Deduct		
Interest on Retirement Reserve	$ 1,303.93	
Interest credited to Participants' Account	15,346.19	
Withdrawal benefits	10,235.74	
Transfer to Retirement Reserve	3,153.42	
Transfer to Reserve against Corporate Stock Investments	6,412.29	36,451.57
TOTAL (carried to Balance Sheet)		$1,753,802.92

See Notes on page 145, which are an integral part of this Statement.

Appendix IX (xiv)

STAFF RETIREMENT FUND

STATEMENT OF RETIREMENT RESERVE ACCOUNT

for the year ended April 30, 1953

BALANCE, April 30, 1952		$53,305.25
Add		
Transfers from Participants' and Accumulation Accounts		4,510.96
Interest on Retirement Reserve		1,303.93
		$59,120.14
Deduct		
Pension payments to retired participants	$2,071.25	
Payment to retired participant upon surrender of pension rights	628.96	2,700.21
TOTAL (carried to Balance Sheet)		$56,419.93

See Notes on page 145, which are an integral part of this Statement.

Appendix IX (xv)

STAFF RETIREMENT FUND

STATEMENT OF SOURCES AND APPLICATION OF FUNDS

for the year ended April 30, 1953

FUNDS PROVIDED

Participants' contributions		
Prior service	$ 4,042.86	
Participating service	163,810.46	
Additional voluntary contributions	2,220.00	$170,073.32
Employer's contributions		321,270.21
Sales of investments		
Treasury bills	$ 16,979.29	
U.S. Treasury bonds	73,388.74	90,368.03
Income on investments		66,185.60
Interest on unpaid prior service contributions of participants		466.44
Other interest income		3.84
Transfers from Retirement Plan of International Bank for Reconstruction and Development		22,237.73
TOTAL FUNDS PROVIDED		$670,605.17

FUNDS APPLIED

Purchase of investments	$566,739.23
Refunds to former participants on withdrawal, including interest	51,890.66
Deposit against subscription for U.S. Treasury bonds	12,500.00
Benefits to former participants who have withdrawn, including interest	10,235.74
Payment to retired participant on surrender of pension rights	628.96
Pension payments to retired participants	2,071.25
Increase in working capital (See page 140.)	26,539.33
TOTAL FUNDS APPLIED	$670,605.17

See Notes on page 145, which are an integral part of this Statement.

APPENDIX IX (xvi)

STAFF RETIREMENT FUND

STATEMENT OF CHANGES IN WORKING CAPITAL

for the year ended April 30, 1953

	April 30, 1953	April 30, 1952	Increase (Decrease—)
CURRENT ASSETS			
Cash	$27,066.64	$ 3,022.87	$24,043.77
Accrued interest on bonds	9,570.73	9,089.14	481.59
Accrued contributions receivable from International Monetary Fund	20,094.43	18,091.48	2,002.95
	$56,731.80	$30,203.49	$26,528.31
CURRENT LIABILITIES			
Accounts payable		11.02	—11.02
WORKING CAPITAL	$56,731.80	$30,192.47	$26,539.33

See Notes on page 145, which are an integral part of this Statement.

Appendix IX (xvii)

STAFF RETIREMENT FUND
STATEMENT OF RESERVE AGAINST CORPORATE STOCK INVESTMENTS ACCOUNT

for the year ended April 30, 1953

BALANCE, April 30, 1952	$ 3,693.25
Add: Transfer from Accumulation Account	6,412.29
TOTAL (carried to Balance Sheet)	$10,105.54

See Notes on page 145, which are an integral part of this Statement.

Appendix IX (xviii)

STAFF RETIREMENT FUND
SCHEDULE OF INVESTMENTS
April 30, 1953

	Interest Rate—%	Maturity	Face Value	Book Value	
BONDS					
United States Savings, Series G	2½	1960	$250,000.00	$250,000.00	
United States Savings, Series G	2½	1961	100,000.00	100,000.00	
United States Savings, Series G	2½	1962	100,000.00	100,000.00	
United States Savings, Series G	2½	1963	65,000.00	65,000.00	
United States Savings, Series K	2.76	1964	46,000.00	46,000.00	
United States Savings, Series K	2.76	1965	28,000.00	28,000.00	
United States Treasury	2½	1967	54,000.00	53,029.02	
United States Treasury	2½	1969	153,000.00	148,891.70	
United States Treasury	2½	1970	86,500.00	84,701.84	
United States Treasury	2½	1971	48,000.00	47,065.72	
United States Treasury	2¾	1980	203,000.00	200,578.91	$1,123,267.19
International Bank for Reconstruction and Development	3	1972	276,000.00	$271,517.81	
International Bank for Reconstruction and Development	3	1976	50,000.00	50,000.00	
International Bank for Reconstruction and Development	3¼	1981	25,000.00	25,000.00	346,517.81
Commercial Bonds					
Allied Chemical and Dye Corporation — Debentures	3½	1978	25,000.00	$ 24,750.83	
American Telephone and Telegraph Company —Debentures	2¾	1980	38,000.00	38,100.16	
Connecticut Light and Power Co.—1st & Refunding Mortgage, Series "L"	2¾	1984	12,000.00	12,251.38	
Consolidated Edison Company of New York, Inc.—1st & Refunding Mortgage, Series "E"	3	1979	38,000.00	39,672.02	

Appendix IX (xviii) *(continued)*

STAFF RETIREMENT FUND

SCHEDULE OF INVESTMENTS

April 30, 1953

	Interest Rate—%	Maturity	Face Value	Book Value	
Commercial Bonds (continued)					
Duke Power Company—1st & Refunding Mortgage	2⅞	1979	$13,000.00	$13,600.84	
Illinois Bell Telephone Company—1st Mortgage, Series "A"	2¾	1981	25,000.00	25,363.97	
Kansas City Power & Light Company—1st Mortgage	3¼	1983	15,000.00	15,200.36	
New York Telephone Company—1st & Refunding Mortgage, Series "D"	2¾	1982	37,000.00	37,559.34	
Pacific Gas and Electric Company—1st & Refunding Mortgage, Series "S"	3	1983	45,000.00	46,947.44	
Pennsylvania Power & Light Company—1st Mortgage	3	1975	38,000.00	39,598.93	
Philadelphia Electric Company—1st & Refunding Mortgage	2¾	1974	24,000.00	24,296.18	
Potomac Electric Power Company—1st Mortgage	2¾	1985	44,000.00	44,313.04	
Public Service Electric and Gas Company—1st & Refunding Mortgage	2⅞	1979	40,000.00	41,512.09	
Standard Oil Company (New Jersey)—Debentures	2¾	1974	30,000.00	30,127.42	
United Gas Corporation—1st Mortgage & Collateral Trust	2¾	1970	14,000.00	14,132.36	$ 447,426.36
Carried forward					$1,917,211.36

Appendix IX (xviii) *(continued)*

STAFF RETIREMENT FUND

SCHEDULE OF INVESTMENTS

April 30, 1953

	No. of Shares	Book Value	
TOTAL BONDS (brought forward)			$1,917,211.36
CORPORATE STOCKS (Common)			
Abbott Laboratories	200	$ 11,063.00	
Aluminium Limited	200	9,975.00	
Aluminum Company of America	100	8,509.48	
American Can Company	440	11,086.00	
American Natural Gas Company	440	12,823.14	
Atlantic Refining Company	250	7,558.53	
Caterpillar Tractor Co.	100	4,855.83	
Coca-Cola Company	100	11,162.13	
Consolidated Natural Gas Company	100	5,581.55	
Consumers Power Company	400	14,413.20	
Continental Insurance Company	100	7,033.00	
Corn Products Refining Company	200	13,903.34	
Dow Chemical Company	328	9,089.53	
General Electric Company	200	10,637.58	
General Mills, Inc.	300	17,082.49	
Goodrich (B. F.) Company	200	14,066.00	
Gulf Oil Corporation	208	8,584.55	
Hartford Fire Insurance Company	100	13,125.00	
International Harvester Company	300	10,368.95	
International Nickel Company of Canada, Limited	300	11,738.25	
International Paper Company	400	19,148.03	
Libby-Owens-Ford Glass Company	300	10,733.25	
Lone Star Cement Corporation	400	10,278.44	
May Department Stores Company	300	9,137.82	
Merck & Co., Inc.	400	11,836.19	
Monsanto Chemical Company	100	8,922.39	
Montgomery Ward & Co., Incorporated	200	14,153.59	
National Distillers Products Corporation	500	15,062.19	
National Lead Company	600	18,464.08	
Ohio Edison Company	270	9,552.28	
Peoples Gas Light and Coke Company	120	13,537.50	
Pfizer (Chas.) & Co., Inc.	300	10,456.89	
Pittsburgh Plate Glass Company	400	18,872.75	
Reynolds (R. J.) Tobacco Company	300	11,223.19	
Sherwin-Williams Company	200	14,389.82	
Socony-Vacuum Oil Company, Incorporated	500	14,431.38	
Standard Oil Company (New Jersey)	200	14,829.26	
Texas Company	300	16,043.95	
Union Carbide and Carbon Corporation	100	6,332.30	
United Gas Corporation	100	2,698.38	
United States Fidelity and Guaranty Company	110	5,615.80	
Westinghouse Electric Corporation	400	15,705.65	
Woolworth (F. W.) Co.	200	9,010.95	$ 493,092.63
			$2,410,303.99

Appendix IX (xix)

NOTES TO FINANCIAL STATEMENTS OF STAFF RETIREMENT FUND OF THE INTERNATIONAL MONETARY FUND

1. During the year under review the Pension Committee has adopted certain rules regarding investment under the Staff Retirement Plan. The following table shows the actual distribution of investments at the end of the fiscal year compared with the proportions authorized by the Pension Committee.

	Authorized Percentage	Actual Percentage	Book Value
Bonds			
U.S. Government	Minimum 40	47	$1,123,267.19
International Bank for Reconstruction and Development	Maximum 20	14	346,517.81
Corporate	Maximum 25	19	447,426.36
Corporate Stocks	Maximum 25	20	493.092.63
		100	$2,410,303.99

The Investment Committee has decided that the maximum amount to be invested in any one corporate stock should be limited to $20,000. This provision has been complied with.

2. Corporate stock income received during the fiscal year, in excess of 3 per cent of the weighted average corporate stock investment held during that period, is transferred to the account "Reserve Against Corporate Stock Investments."

3. Employers' contributions as per statement of Accumulation Account amount to $321,270.21, whereas the amount appearing in the Statement of Income and Expenditure of the International Monetary Fund is $315,690.37. The difference between these two amounts represents contributions by the International Bank for Reconstruction and Development in respect of joint services and by the United Nations Organization and others for temporary assistance.

Appendix X (i)

SCHEDULE OF PAR VALUES—as of May 30, 1953

CURRENCIES OF METROPOLITAN AREAS

		Par Values In Terms of Gold		Par Values In Terms of U. S. Dollars	
Member	Currency	Grams of fine gold per currency unit	Currency units per troy ounce of fine gold	Currency units per U. S. dollar	U. S. cents per currency unit
Australia	Pound	1.990 62	15.625 0	0.446 429	224.000
Austria	Schilling	0.034 179 6	910.000	26.000 0	3.846 15
Belgium	Franc	0.017 773 4	1,750.00	50.000 0	2.000 00
Bolivia	Boliviano	0.004 677 22	6,650.00	190.000	0.526 316
Brazil	Cruzeiro	0.048 036 3	647.500	18.500 0	5.405 41
Burma	Kyat	Par Value not yet established			
Canada [1]	Dollar				
Ceylon	Rupee	0.186 621	166.667	4.761 90	21.000 0
Chile	Peso	0.028 666 8	1,085.00	31.000 0	3.225 81
China	Yuan	Par Value not yet established			
Colombia	Peso	0.455 733	68.249 3	1.949 98	51.282 5
Costa Rica	Colón	0.158 267	196.525	5.615 00	17.809 4
Cuba	Peso	0.888 671	35.000 0	1.000 00	100.000
Czechoslovakia	Koruna	0.017 773 4	1,750.00	50.000 0	2.000 00
Denmark	Krone	0.128 660	241.750	6.907 14	14.477 8
Dominican Republic	Peso	0.888 671	35.000 0	1.000 00	100.000
Ecuador	Sucre	0.059 244 7	525.000	15.000 0	6.666 67
Egypt	Pound	2.551 87	12.188 5	0.348 242	287.156
El Salvador	Colón	0.355 468	87.500 0	2.500 00	40.000 0
Ethiopia	Dollar	0.357 690	86.956 5	2.484 47	40.250 0
Finland	Markka	0.003 863 79	8,050.00	230.000	0.434 783
France	Franc	No Par Value agreed with the Fund			
Germany, Federal Republic of	Deutsche Mark	0.211 588	147.000	4.200 00	23.809 5
Greece	Drachma	Par Value not yet established			
Guatemala	Quetzal	0.888 671	35.000 0	1.000 00	100.000
Honduras	Lempira	0.444 335	70.000 0	2.000 00	50.000 0

Iceland	Króna	0.054 567 6	570.000	16.285 7	6.140 36
India	Rupee	0.186 621	166.667	4.761 90	21.000 0
Iran	Rial	0.027 555 7	1,128.75	32.250 0	3.100 78
Iraq	Dinar	2.488 28	12.500 0	0.357 143	280.000
Italy	Lira	Par Value not yet established			
Japan	Yen	0.002 468 53	12,600.0	360.000	0.277 778
Jordan	Dinar	Par Value not yet established			
Lebanon	Pound	0.405 512	76.701 8	2.191 48	45.631 3
Luxembourg	Franc	0.017 773 4	1,750.00	50.000 0	2.000 00
Mexico	Peso	0.102 737	302.750	8.650 00	11.560 7
Netherlands	Guilder	0.233 861	133.00	3.800 00	26.315 8
Nicaragua	Córdoba	0.177 734	175.000	5.000 00	20.000 0
Norway	Krone	0.124 414	250.000	7.142 86	14.000 0
Pakistan	Rupee	0.268 601	115.798	3.308 52	30.225 0
Panama	Balboa	0.888 671	35.000 0	1.000 00	100.000
Paraguay	Guaraní	0.148 112	210.000	6.000 00	16.666 7
Peru [2]	Sol				
Philippines	Peso	0.444 335	70.000 0	2.000 00	50.000 0
Sweden	Krona	0.171 783	181.062	5.173 21	19.330 4
Syria	Pound	0.405 512	76.701 8	2.191 48	45.631 3
Thailand	Baht	Par Value not yet established			
Turkey	Lira	0.317 382	98.000 0	2.800 00	35.714 3
Union of South Africa	Pound	2.488 28	12.500 0 (or 250 shillings)	0.357 143	280.000
United Kingdom	Pound	2.488 28	12.500 0 (or 250 shillings)	0.357 143	280.000
United States	Dollar	0.888 671	35.000 0	1.000 00	100.000
Uruguay	Peso	Par Value not yet established			
Venezuela	Bolivar	0.265 275	117.250	3.350 00	29.850 7
Yugoslavia	Dinar	0.002 962 24	10,500.0	300.000	0.333 333

[1] The initial par value of the Canadian dollar, established on December 18, 1946, was 100.000 U. S. cents per Canadian dollar. On September 19, 1949, following consultation with the Fund, the par value of the Canadian dollar was changed to 90.9091 U. S. cents per Canadian dollar. On September 30, 1950, Canada introduced a new exchange system under which the exchange value of the Canadian dollar will be allowed to fluctuate, so that for the time being Canada will not ensure that exchange transactions within its territories will be based on the par value established on September 19, 1949. No new par value has been proposed to the Fund.

[2] The initial par value of the sol, established on December 18, 1946, was 15.3846 U. S. cents per sol. In November 1949, Peru introduced a new exchange system, but no agreement on a new par value has been reached.

Appendix X (ii)

SCHEDULE OF PAR VALUES—as of May 30, 1953

SEPARATE CURRENCIES IN NON-METROPOLITAN AREAS OF MEMBERS

		Par Values In Terms of Gold		Par Values In Terms of U. S. Dollars	
Member and Non-Metropolitan Areas	Currency and Relation to Metropolitan Unit	Grams of fine gold per currency unit	Currency units per troy ounce of fine gold	Currency units per U. S. dollar	U. S. cents per currency unit
BELGIUM					
Belgian Congo	Franc (parity with Belgian franc)	0.017 773 4	1,750.00	50.000 0	2.000 00
FRANCE					
French Indo-China	Piastre	Par Value not yet established			
French Possessions in India	Rupee	0.186 621	166.667	4.761 90	21.000 0
French Somaliland	Djibouti Franc	0.004 145 07	7,503.73	214.392	0.466 435
ITALY					
Somaliland	Somalo	Par Value not yet established			
NETHERLANDS					
Surinam	Guilder (=2.015 Netherlands guilders)				
Netherlands Antilles	Guilder (=2.015 Netherlands guilders)	0.471 230	66.004 9	1.885 85	53.026 4
Netherlands New Guinea	Guilder	Par Value not yet established			
UNITED KINGDOM					
Gambia Gold Coast Nigeria Sierra Leone	West African Pound (parity with sterling)				
Southern Rhodesia Northern Rhodesia Nyasaland	Southern Rhodesian Pound (parity with sterling)	2.488 28	12.500 0	0.357 143	280.000
Cyprus	Cyprus Pound (parity with sterling)				
Gibraltar	Gibraltar Pound (parity with sterling)				
Malta	Maltese Pound (parity with sterling)				

Bahamas Bermuda Jamaica Falkland Islands	Bahamas Pound (parity with sterling) Bermuda Pound (parity with sterling) Jamaican Pound (parity with sterling) Falkland Islands Pound (parity with sterling)	2.488 28	12.500 0	0.357 143	280.000
Aden British Somaliland Kenya Uganda Tanganyika Zanzibar	East African Shilling (20 per pound sterling)	0.124 414	250.000	7.142 86	14.000 0
Barbados Trinidad British Guiana Leeward Islands Windward Islands	British West Indian Dollar (4.80 per pound sterling)	0.518 391	60.000 0	1.714 29	58.333 3
British Honduras	British Honduras Dollar (4.00 per pound sterling)	0.622 070	50.000 0	1.428 57	70.000 0
Mauritius Seychelles	Mauritius Rupee (13-1/3 per pound sterling) Seychelles Rupee (13-1/3 per pound sterling)	0.186 621	166.667	4.761 90	21.000 0
Fiji	Fijian Pound (1.11 per pound sterling)	2.241 69	13.875 0	0.396 429	252.252
Tonga	Tongan Pound (1.25000[1] per pound sterling)	1.990 62	15.625 0	0.446 429	224.000
Hong Kong	Hong Kong Dollar (16 per pound sterling)	0.155 517	200.000	5.714 29	17.500 0
Malaya (Singapore and Federation of Malaya) British North Borneo Brunei Sarawak	Malayan Dollar (8.571 428 57 per pound sterling, or 2 shillings 4 pence per Malayan Dollar)	0.290 299	107.143	3.061 22	32.666 7

[1] The relation of 1.2525 Tongan pounds per pound sterling, as initially communicated and confirmed on September 18, 1949, was corrected on August 2, 1950 to 1.25000.

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