INTERNATIONAL MONETARY FUND

Annual Report

of the

Executive Directors

for the fiscal year ending

June 30

1947

INTERNATIONAL MONETARY FUND · WASHINGTON, D.C.

ANNUAL REPORT
1947

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Camille Gutt
Chairman of the Executive Board

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G. L. F. Bolton	M. H. Parsons
Yee-Chun Koo	Yueh-Lien Chang
Jean de Largentaye	
J. V. Joshi	B. K. Madan
Francisco Alves dos Santos-Filho	Octavio Paranagua
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G. W. J. Bruins	Willem Koster
Guido Carli	Giorgio Cigliana-Piazza
Louis Rasminsky	J. F. Parkinson
J. V. Mladek	Mihailo Kolovic
Hubert Ansiaux	Ernest de Selliers
Ahmed Zaki Bey Saad	Mahmoud Saleh El Falaki

Officers

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Managing Director

Robert Rolin
Assistant to the Managing Director

Oscar L. Altman
Administrative Assistant to the Managing Director

John L. Fisher
Director, Operations Department

E. M. Bernstein
Director, Research Department

Andre van Campenhout
General Counsel

Charles M. Powell
Comptroller

Frank Coe
Secretary

LETTER OF TRANSMITTAL

to the Board of Governors

August 6, 1947.

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 ending June 30, 1947.

Yours sincerely,

GUTT
Chairman of the Executive Board

THE RIGHT HONORABLE HUGH DALTON
Chairman, Board of Governors
International Monetary Fund

GENERAL COMMENTS

BEFORE reviewing the operations and policies of the Fund during the past year, the Executive Directors wish to make certain general comments regarding the role of the Fund in the present phase of world economic affairs.

The Fund is primarily concerned with the problems of international payments. The Fund Agreement lays down standards of behavior to which members undertake to conform: the promotion of exchange stability, the maintenance of orderly exchange arrangements and the avoidance of competitive exchange depreciation. The Fund is available as a center for international consultation in this field and is in a position to extend to its members, in accordance with the Agreement, financial assistance to help them overcome temporary disequilibria in their international payments without abandoning these standards of behavior and without being obliged to adopt policies detrimental to their own welfare or that of other nations. By this means the attainment of a high level of international trade and investment on a multilateral basis can be facilitated.

The field of activity covered by the Fund, although important, is by no means all-embracing. The Fund was not intended to function in isolation but was conceived as one of several instrumentalities through which the nations of the world would seek to attain certain broad purposes which they hold in common. In general terms these purposes are to obtain fuller and more effective utilization and development of productive resources to the end that all may enjoy rising standards of living.

National economic policies are clearly of basic importance in this connection. In the past these policies have frequently led to restrictive measures and economic conflict in the international sphere which have been a source of widespread impoverishment. In the determination to avoid a repetition of these same errors, steps were taken in the closing years of the war to establish institutions for international economic cooperation. The United Nations Relief and Rehabilitation Administration was set up to provide relief to war-stricken countries and to help start their economies again. The International Bank was intended to assist countries in securing foreign capital for reconstruction and development. The International Trade Organization, the establishment of which is now under discussion, is expected to reduce the barriers to international trade and to establish standards of behavior in this field analogous to those established by the Fund in regard to exchange matters. Of necessity, the extent to which the Fund can attain its objectives will depend on the action taken in these related fields.

Viewed in perspective, the Fund is one expression of the concept of a world economic system based upon the principle of expanding activity and mutual helpfulness. The Fund is intended as part of the permanent machinery of international monetary relations rather than as an emergency device to meet the special needs of the postwar years. However, when the Fund was set up, it was recognized that it would start to work in a highly abnormal time and provision was therefore made for a transitional period. But the Fund's objectives can be fully realized only in a world in which the war-damaged and war-devastated countries have restored their productive efficiency to the point where they can achieve balance in their international payments with a level of trade conducive to their own and the general well-being. Now, more than a year after the establishment of the Fund, the world is confronted with seriously unbalanced trade, with an urgent problem of financing international payments, and with severe shortages of goods for reconstruction and even for maintaining minimum consumption standards in many countries. The Fund cannot solve these problems, but the role which the Fund will be able to play in the future must inevitably be determined in large measure by the way in which these problems are solved. Stability of exchange rates and the maintenance of orderly exchange arrangements are not ends in themselves. It would be unfortunate if they were achieved through restrictions and discriminations which are inimical to the general welfare rather than through an expansion of trade from which all countries can benefit.

The Problem of Reconstruction

The destructive and dislocating effects of the war extended throughout nearly all of Europe and a large part of Asia and were many times greater than in the first World War. Bombing from the air resulted in wide-spread damage even in countries inaccessible to hostile land forces. And in some countries where there was little or no actual destruction the war, nevertheless, made heavy demands on resources; the functioning of their economies was dislocated and equipment and transport facilities deteriorated.

In the two years since the end of the war considerable progress has been made toward rebuilding the economies of the devastated and disrupted countries, although the work is far from complete. A number of countries in Europe have succeeded in approaching or even exceeding the prewar levels of industrial production, but in others output still lags far behind. Agricultural production both in Europe and the Far East has been hard hit and even now is much below the prewar level. The hardship caused by the decline in food production is intensified by the growth of population. Industrial production in nearly all Eastern countries is also far below the prewar levels. In most of the Far East political strife has been a major factor impeding reconstruction.

A great effort is being made by the devastated and dislocated countries to hasten reconstruction by applying a large proportion of their resources to construction and the production of equipment. The consumption of food and other goods is being severely restricted and in general held considerably below the prewar level. In most of Europe and the Far East deficiencies in consumption and housing have already endangered the health of the people and impaired the efficiency of labor.

Reconstruction has been hampered by the lack of productive resources for the many urgent tasks that must be done and by specific shortages in various fields. In most of the countries of Europe labor is scarce, particularly for heavy work such as mining and forestry and in employments requiring a high degree of skill. Both in Europe and the Far East the flow of production is interrupted by lack of raw materials and the necessity of using worn out and inadequate equipment. Even for such a vital raw material as coal, production and supply are much below the most urgent requirements. The recovery of production has also been delayed by the destruction of inland transport facilities and by the shortage of shipping. The difficulties of European reconstruction have been aggravated by the loss of Germany as a source of supply. Before the war 70 per cent of German exports went to other European countries and to a great extent these exports consisted of goods, such as coal and fertilizers, machinery and equipment, of which Europe is now in urgent need.

Apart from these economic factors, political uncertainties and disturbances have made it difficult for countries to devote their full resources to reconstruction. Two years after the war, a settlement has not yet been agreed for Germany and Japan; and large areas of the world are still in turmoil. The continued need for maintaining substantial forces overseas places a heavy strain on the economies of a number of countries. Perhaps of greatest significance is the fact that people everywhere are seriously disturbed by the failure up to this time to achieve an international political environment conducive to economic stability and progress.

International Trade and Payments

Although the total volume of world exports in 1946 was only about 15 per cent below the 1938 level, the pattern of world trade was radically changed. Before the war the countries of Europe and the

Far East whose economies have been devastated or disrupted by the war accounted for the larger part of world trade and service transactions. The wartime impairment of their productive capacity and the loss of external assets and facilities have reduced their receipts from exports and services; and despite the curtailment of imports their external receipts have been inadequate to meet even urgent requirements.

A significant part of the reduction of world exports in 1946 as compared with 1938 is accounted for by the virtual disappearance of Germany and Japan from world markets. Before the war, Germany supplied 10 per cent and Japan 3.5 per cent of world exports. In 1946 they supplied together only 1 per cent of the total. The disappearance of Japanese exports has seriously affected the imports of Africa and Asia. The almost complete elimination of Germany from world trade has forced the countries which previously obtained essential supplies from Germany to shift a large part of their purchases to Western Hemisphere sources and this has increased the distortion of trade and payments.

The European countries engaged in the war, excluding the United Kingdom and Germany, accounted for 23 per cent of the total of world exports before the war. In 1946, these same countries accounted for only 11 per cent of world exports. The exports of these countries as a group were about 60 per cent below the 1938 volume. Despite considerable help from abroad through grants and credits, their imports were about 20 per cent less than before the war.

The United Kingdom has a problem in international payments in many respects unique. The large decline in her overseas income from service items and the big increase in government payments overseas have for the time being reduced sharply her ability to pay for imports. Although exports from the United Kingdom in 1946 were of approximately the 1938 volume, the level of imports was 31 per cent below prewar. Even so, this much reduced volume of imports could be maintained only through heavy drawings on credits from the United States and Canada.

The countries of the Far East that were occupied by Japan have experienced an even greater decline in exports than the devastated countries of Europe. Their exports in 1946 were in the neighborhood of 30 per cent of the prewar volume. They were able to maintain their imports at a much higher relative level because of large grants and credits. As a group their imports in 1946 were about one-fourth less than before the war, although for some countries such as the Netherlands Indies and Siam, they were very much below the prewar level.

Of the countries not directly affected by devastation, the greatest increase in trade is in the Western Hemisphere, especially the United States and Canada. The production of the United States and Canada was greatly increased during the war. Since the war they have been exporting a large volume of food, materials and equipment for reconstruction. In the United States, 1946 exports of $9.8 billion[1] were about 90 per cent above the prewar volume. In Canada, 1946 exports of $2.2 billion were about 45 per cent above the 1938 level in volume. United States imports in 1946 were $5.6 billion and Canadian imports $2.1 billion; in both countries they were more than 40 per cent larger in volume than before the war. The huge exports from the United States and Canada were financed in large part by the grants and credits provided by these countries.

The expansion of output during the war and the great demand for food and raw materials throughout the world made possible a considerable increase in the exports of nearly all Latin American countries. In 1946, the exports of these countries as a group were about 30 per cent above the 1938 volume, with increased shipments to the United States a major factor. Latin American countries as a group received in 1946 about 25 per cent more imports than before the war, although in a few countries imports were only at about the prewar volume. The

[1] All figures quoted in the text are rounded.

demand for imports was strong in most Latin American countries, reflecting deferred wartime demand and inflation. In part the imports could be paid for out of high exchange receipts, but without exchange restrictions it would not have been possible for most of these countries to avoid a serious disequilibrium in their international payments.

As a group the British Dominions in the sterling area were able to maintain their exports in 1946 above the prewar level. The wartime development of their productive capacity and the great need for their exports led to an increase in the volume of their exports by about 10 per cent, although there were large differences among these countries. The imports of these countries were much lower than before the war, in part because supplies from their customary sources, principally the United Kingdom, were not available in adequate amount. In 1946, the imports of these countries as a group were approximately 25 per cent below the 1938 volume.

In India and the countries of the Middle East the war resulted in a shift in productive resources to providing war needs. Not all of these countries have been able to restore their export trade, partly because of the large domestic demand for their output. In India and Egypt exports in 1946 were about 45 and 25 per cent below their prewar volume, and in the Middle East countries as a group there was also some decline in exports. In India imports were considerably below the prewar level and in Egypt somewhat less than before the war. For the Middle East countries other than Egypt, imports were on an average slightly larger in volume than before the war, although there were large differences among them. The difficulty of securing supplies from the United Kingdom and a shortage of exchange for acquiring goods in other areas were important factors in keeping their imports from rising.

The great discrepancy between exports from the devastated areas and exports from the rest of the world was gradually being eliminated during 1946 as industrial production rose. For most of the devastated countries of Europe, the volume of exports was negligible in the first six months of 1946 but was in the neighborhood of 80 per cent of prewar volume in the last few months. The volume of imports was somewhat more constant during the year. In the early months of 1947 the volume of exports of many of the devastated countries of Europe continued to increase although at a less rapid rate than during 1946. In the first half of 1947, United States exports rose sharply to an annual rate of $15 billion, about 2½ times the prewar volume. There have also been substantial increases in the exports of some other countries not devastated by the war. The indications are that the total volume of world trade in 1947 will be above the prewar level but the pattern of trade will continue to differ radically from that of the prewar period and from a pattern more suitable to the post-transition period.

The international payments position in 1946 has, of course, been influenced not only by the changes which have occurred in the volume of trade, but also by the changes in the relative prices of the goods and services entering international trade. On the average, prices of food and raw materials, which had fallen sharply in the depression of the early 1930's, rose more from 1938 to 1946 than the prices of manufactured goods.

The great changes which have taken place in some of the invisible items have also been an important factor influencing the structure of international payments. Before the war a considerable part of the earnings of a number of European countries, including the United Kingdom, the Netherlands, and France, was derived from foreign investments. Receipts from this source for these countries, especially the United Kingdom, have fallen off sharply because of the liquidation of external resources and the destruction of direct investments during the war.

For the United Kingdom, the United States and Canada there has also been a marked shift in net income from shipping services. In 1946, United Kingdom net shipping income was well below half of its normal prewar level. On the other hand, the net receipts of the United States and Canada from shipping services increased enormously. In other countries with large merchant fleets, net income from shipping services was near or even slightly above the prewar amount. The purchasing power of this net income in acquiring imports, however, was considerably below prewar.

An important new factor in international payments is the greater magnitude of the foreign expenditures of some governments. For the United States and the United Kingdom, government expenditures have been a significant item in the balance of payments since the war. In the case of the United Kingdom, the necessity of continuing large government expenditures abroad accounted for three-fourths of the 1946 balance of payments deficit of $1600 million.

The present distortion in international payments gives rise to a serious balance of payments problem. With the great shifts that have taken place in international payments, the distinction between hard and soft currencies has been intensified, the problem of finance has become more acute, and the task of restoring convertibility is made more difficult. For the devastated and disrupted countries with large deficits the problem was met during the past year largely through the use of grants and credits.

The sale of goods for inconvertible currencies or on credit, and purchases from hard currency areas, have placed a strain on many countries, even on some with a current account surplus. For example, in 1946, Canada's over-all current surplus amounted to $460 million. This over-all surplus is the result of current transactions with the United States which left a deficit of $600 million and transactions with the rest of the world which produced a surplus of $1060 million. Because the surplus with other countries was very largely financed by Canadian grants and credits, it was necessary for Canada, despite the over-all current surplus, to draw on its own reserves to meet part of the deficit with the United States.

Despite the foreign aid provided for reconstruction, the availability of foreign exchange receipts and monetary reserves was an important factor influencing the share of imports going to different parts of the world during the past year. The imports of the countries of the Western Hemisphere were about 35 per cent larger in volume in 1946 than in 1938, while imports of countries in the sterling area were lower in volume by 25 per cent. In Europe, the imports of all the countries engaged in the war were about 35 per cent below the 1938 volume, but European countries not engaged in the war, whose foreign exchange position is relatively strong, showed a decline of only 6 per cent in their imports.

World trade is seriously unbalanced and may be expected to remain so during most of the transition period. This unbalance reflects the sharp contrast between the capacity of the Western Hemisphere to produce goods for export and the urgent need of Europe and the Far East for imports for reconstruction. While this contrast persists, it would be a mistake to force an early shift in the direction of world trade. If imports of Europe and the Far East had to be further limited, this would deprive them of goods essential for their reconstruction. The problem, rather, is to finance the flow of goods to these areas to enable them to restore production and exports and gradually to shift the direction of trade to the pattern suitable to the period after the transition.

Grants and Credits

As is evident from the relatively large decrease in exports and in receipts from external services, the countries devastated by the war have had to use other means to finance a large part of their import needs. Since the end of the war they have been able to maintain a substantial, although inadequate, flow of imports through the use of grants and credits made available to them by other countries and through the use of their monetary reserves.

In meeting their needs for relief and reconstruction the devastated countries of Europe and the Far East have secured considerable assistance from abroad through grants. These have enabled them to import food, raw materials, and equipment in order to maintain minimum consumption and to begin the rebuilding of their economies. Grants by governments to meet relief and rehabilitation needs from the end of the war to the middle of 1947 amounted to about $7.7 billion, excluding civilian supplies to Germany. A large part of these funds was distributed through UNRRA, the major contributions to which were from the United States (74 per cent), the United Kingdom (17 per cent) and Canada (4 per cent). The total includes grants for relief outside UNRRA, mainly for civilian supplies in liberated areas. Total grants from the United States amounted to $5.8 billion and from the United Kingdom $1.3 billion. In addition, up to the middle of 1947 goods to the value of $1.2 billion were made available to Germany about equally by the United States and the United Kingdom, and additional funds have been appropriated for expenditure during the coming year. Considerable sums have also been provided through private grants, amounting in the case of the United States to about $1.5 billion in the two years since the end of the war. While limited post-UNRRA aid is still being provided and some grants are still unused, the continued flow of essential goods to the countries of Europe and the Far East has now become more dependent on the use of credits and their own monetary reserves.

Large governmental credits have been made available to finance reconstruction. Of aggregate credits estimated at approximately $13 billion from the end of the war to the middle of 1947 about $9.3 billion has been provided by the United States, $1.8 billion by Canada, $1.1 billion by the United Kingdom and nearly $500 million by Sweden. Of special importance have been the credits of $3.75 billion from the United States and $1.25 billion from Canada to enable the United Kingdom to maintain essential imports and to restore the convertibility of sterling for current transactions. The bulk of the remaining credits has been to European countries, particularly France.

The European countries have given to each other and have received from Latin America significant aid through the financial agreements providing for the extension of mutual credits in limited amounts to finance trade between them. As of the middle of 1947, Sweden, Switzerland, Belgium and the Argentine were the principal creditors under these agreements. During the first year after the war the sterling area arrangements helped to finance some part of the United Kingdom deficit, but this tendency has been reversed and the official balances of sterling area countries have in the aggregate recently been decreasing.

The credits extended to assist in reconstruction have been used at a rapid rate. Higher prices and greater dependence on imports of food and coal have been major factors leading to the severe drain on the foreign exchange resources of the countries whose economies were devastated and disrupted by the war. The average cost of the goods imported from the United States and from other Western Hemisphere countries has risen about 25 per cent since the beginning of 1946. Of the $4.7 billion of European merchandise imports from the United States in 1946, more than $1.6 billion is represented by the cost of food and coal (including freight). In the first half of 1947, coal and food accounted for about the same proportion of European imports from the United States. The large payments for food and coal and the higher prices of import goods in general have compelled countries to draw on their credits and reserves more heavily than they had planned and to limit their imports for reconstruction as well as imports of ordinary consumption goods.

In the last half of 1945, United States government grants of about $1.3 billion and credits of about $800 million were used to make dollar payments. To meet their net dollar requirements of approximately $9.5 billion for payments to the United States in 1946, the rest of the world used $2.5 billion of United States government grants (including civilian supplies to occupied areas) and $3.1 billion of United States government credits. Private grants and credits and liquidation of long-term assets provided $2.1 billion. To meet their estimated net dollar requirements of approximately $6.9 billion for payments to the United States in the first half of 1947, other countries used about $1.1 billion of United States government grants (including civilian supplies to occupied areas) and about $2.4 billion of United States government credits. Private grants and credits provided $1.1 billion. The remainder of the net dollar requirements for 1946 and the first half of 1947 was met by drawing upon gold and short-term dollar assets.

The countries of Europe and the Far East cannot depend to any significant extent on unused credits to continue their imports for reconstruction. By the middle of 1947, about $1.5 billion of unused grants (excluding funds appropriated for civilian supplies in the coming fiscal year) and about $3 billion of the credits (exclusive of nearly $400 million of war property disposal credits) made available by the United States and slightly less than $800 million of the credits made available by Canada were still unused. At least $700 million of the United States credits has been used since July 1, 1947, and the greater part of the remaining credits appears likely to be exhausted before the end of the year.

Use of Monetary Reserves

Dollars as well as gold are being used by countries to settle their international payments not only with the United States, but with other countries in the Western Hemisphere, and in some cases for transactions in Europe and the Far East. Because of the position of the United States as the principal supplier of export goods, much the largest use of reserves is to meet payments to the United States. During 1946 the rest of the world used about $1.8 billion of gold and short-term dollar assets to finance imports from the United States. In the first half of 1947, it is estimated that these countries used approximately $2.3 billion of gold and short-term dollar assets to finance imports from the United States. Although some of this use of gold and short-term dollar assets was offset by new gold production, the utilization of monetary reserves at such a rate cannot be continued very long, even to maintain essential imports.

The monetary reserves of the rest of the world are obviously inadequate to meet a sustained balance of payments deficit with the United States of the present magnitude. While the gold reserves of nearly all Western Hemisphere countries, South Africa, and some of the neutral countries of Europe are much larger now than before the war, these countries as a group are not responsible for any significant part of the huge deficit with the United States. The gold reserves of the countries accounting for most of the deficit with the United States are much smaller now than before the war.

The war brought great changes in the geographical distribution of gold reserves. At the end of 1938 the gold holdings of the United States amounted to $14.6 billion. During the war they rose to a peak of $22.8 billion and then declined as large purchases abroad resulted in transfers of gold to other countries. At the end of the war United States holdings of gold totaled $20.1 billion. Since then the gold holdings of the United States have again risen, amounting to $21.4 billion on June 30, 1947, after payment of the United States gold subscription of almost $700 million to the Fund. The rise in the gold holdings of the United States of almost $7 billion between the end of 1938 and the middle of 1947, was offset in part by the increase of $3.3 billion in foreign-owned short-term dollar assets as of the end of April 1947.

For the rest of the world except Russia gold holdings in the middle of 1947 were about $12½ billion, not far different from what they had been at the end of 1938. In the meantime, during and since the war, there has been a substantial redistribution of gold among countries. The principal increases have been in the gold holdings of Latin America, Switzerland and the Union of South Africa. There have also been significant increases in the gold holdings of Canada and

Portugal. In the aggregate the reported gold holdings of Latin America, neutral Europe, Canada and South Africa doubled between the end of 1938 and May 1947, rising from about 22 per cent to about 44 per cent of the gold reserves of all countries other than the United States and Russia.

For the liberated countries of Europe—that is, excluding the ex-Axis countries, the United Kingdom and Russia—reported gold reserves fell from $5.2 billion at the end of 1938 to $1.8 billion at the end of June 1947. This decline is largely accounted for by the fall in the reported gold reserves of France from $2.8 billion to $700 million and of the Netherlands from $1 billion to $200 million. For the rest of liberated Europe the decline was from $1.4 billion to $900 million. For the United Kingdom, gold holdings alone at the end of 1938 were about $3.4 billion; at the end of 1946, gross official gold and dollar holdings amounted to $2.6 billion.

While the gold reserves of the world outside the United States and Russia are, as indicated, approximately the same in nominal amount as before the war, their purchasing power over imports has been sharply reduced as a result of the rise in prices which has occurred. World prices for import goods are on the average now more than twice as high as they were in 1938. With the decrease in their holdings and the rise in prices, the gold reserves still remaining to the United Kingdom and liberated Europe can now pay for less than 25 per cent as much imports as the gold reserves they held before the war. It should be noted that customarily these countries must hold external reserves not only to meet their own needs but also to meet the needs of the monetary areas associated with them.

In considering the amount of reserves available to countries other than the United States account must also be taken of short-term dollar assets. At the end of 1938, total short-term dollar assets held for foreign account amounted, as reported by banks in the United States, to $2.2 billion. At the end of April 1947 they amounted to

$5.5 billion, after having declined by more than $1 billion since the end of the war. The increase in dollar holdings since 1938 has been relatively large for the countries of the Western Hemisphere and Asia. It must be borne in mind that a large part of the dollar assets referred to were not available to the monetary authorities of these countries. They include privately held dollar balances which in some cases are already committed for meeting obligations in the United States.

A better indication of the dollar assets available for use in meeting deficits with the United States is the amount of official short-term dollar assets held by governments and central banks. At the end of April 1947 such official dollar assets amounted to $2.4 billion, after having declined from $4.2 billion at the end of the war. It would appear that the official dollar holdings of the United Kingdom and the liberated countries of Europe are not large and do not add significantly to the total of their monetary reserves.

For a number of countries sterling balances are an important part of monetary reserves. In present circumstances, however, the use of these balances is limited and the totals cannot, therefore, be included in the aggregate of monetary reserves available to cover deficits.

It is clear that no great help toward meeting present import needs for reconstruction can be expected from the more extensive use of monetary reserves. In most cases, the reserves now held leave little margin over minimum requirements. With the great uncertainties ahead the countries with relatively small gold and dollar holdings are impelled to limit their use of reserves, even for essential imports.

Completing Reconstruction

The present position is that certain countries of key importance in the world economy are rapidly running out of exchange resources. The magnitude of the reconstruction task is far greater than was foreseen in 1945 and 1946 when most of the credits were made available. Moreover, the sharp rise in prices has reduced the value of the credits in acquiring imports. Reconstruction is far from complete and there is grave danger that the reconstruction effort of a number of countries will soon receive a serious setback because of the lack of means to continue essential imports. This will not only delay the completion of reconstruction and endanger the progress already made, but will also postpone indefinitely the achievement of a strong and healthy world economy.

Just as the progress so far attained has been mainly due to the efforts of the countries engaged in reconstruction, so must the remaining effort be mainly theirs. Production is the final solution to the problem. Increased production by the countries of Europe and the Far East must provide most of the goods needed to complete their reconstruction. Increased production can minimize and ultimately eliminate their need for extraordinary help in continuing essential imports. Increased production can in time provide the exports to enable these countries to balance their international payments at a high level of trade.

The further expansion of production depends on the pursuit by the governments concerned of appropriate policies in every phase of the national economy. In particular, inflation must be checked and confidence in the currency restored and maintained. The continued injection by some countries of additional purchasing power into the monetary stream through budgetary deficits or excessive credit will not only bring greater pressure on their international payments but will also disturb the relationship among national economic groups and disrupt the course of production.

While the task is largely one of self-help for the devastated and dislocated countries, the goods which the Western Hemisphere may supply have an importance much greater than is indicated by their quantity. A continuance of the flow of vital imports is necessary to enable the countries engaged in reconstruction to utilize fully their own productive resources. This may mean the difference between an economic system with chronic deficiency in the domestic and international field and an economic system producing and trading on an efficient and profitable basis. A world shackled with deficiency economies would inevitably generate restrictions and discriminations in international trade and payments whose evil consequences would leave no country untouched.

It is apparent that if the goods needed for completion of reconstruction are to be made available it will be necessary for governments to extend additional aid beyond what the International Bank can provide. The Fund itself can give only limited financial help in the present situation. Moreover, its resources are not intended for reconstruction. It can and will provide temporary exchange assistance to its members even during the transition period to attain the objectives of the Fund. But if the Fund is to continue to help its members to maintain stable and orderly exchange arrangements, it must be in a position to provide financial assistance after the transition period.

The maintenance of a flow of imports to complete reconstruction can be assured only by the countries with the capacity to produce and export the needed goods. Many of these goods are still in short supply, and it would be unfortunate if the financial aid that may still be given were to be immobilized by the lack of goods.

If reconstruction is not completed, the constructive efforts already made for international cooperation to attain greater production and higher standards of living will be jeopardized. Economically sick areas are a menace to stability and prosperity everywhere. The world is approaching a turning point at which the alternatives are clear. Either we seek, through a concerted effort, the goals of expanded production and higher standards of living, or we resign ourselves to economic conflict and impoverishment.

ORGANIZATION AND ADMINISTRATION OF THE FUND

Membership

IN the year ending June 30, 1947, five additional countries were admitted to membership in the Fund, making a total of 44 members, and two further applications for membership were received.

Venezuela was among those countries which participated in the Bretton Woods Conference and were listed in Schedule A of the Fund Agreement. In their Resolution No. 9, adopted at the Inaugural Meeting, the Governors extended until December 31, 1946, the time in which such countries might accept membership in accordance with Article XX of the Fund Agreement. The Government of Venezuela accepted membership on December 30, 1946.

The terms and conditions for the admission of Italy, Lebanon, Syria and Turkey were decided by the Board of Governors at their First Annual Meeting in September 1946. These terms and conditions were duly complied with and membership accepted within the period prescribed. The dates on which formal acceptance was registered are as follows: Turkey, March 11, 1947; Italy, March 27, 1947; Syria, April 10, 1947; and Lebanon, April 14, 1947.

Australia and Finland applied for membership during the year in accordance with Article II, Section 2 of the Fund Agreement. The application of Australia was approved by the Board of Governors in a vote without meeting. The decision was that Australia had until August 31, 1947, to accept membership.[2] The application of the Government of Finland will be laid before the Board of Governors at their Second Annual Meeting.

A list of the members of the Fund, their quotas, the Governor

[2]Australia accepted membership on August 5, 1947.

appointed by each member and the voting power of each member is attached as Appendix I. Changes in the Board of Governors since the First Annual Meeting are shown in Appendix II.

Quotas

The aggregate quotas of members of the Fund were increased by $324 million during the fiscal year, from $7,397.5 million as of June 30, 1946, to $7,721.5 million as of June 30, 1947. Of the total increase $249 million is accounted for by the quotas of new members which are as follows: Italy $180 million, Turkey $43 million, Venezuela $15 million, Syria $6.5 million and Lebanon $4.5 million. The remaining $75 million of the increase is accounted for by the change in the quota of France. The quotas of all members of the Fund as of June 30, 1947, are shown in Appendix I.

At their First Annual Meeting the Board of Governors adopted resolutions on requests for an increase in the quotas of France, Iran and Paraguay. In all cases approval of these requests was contingent upon application for a proportionate increase in the member's subscription in the International Bank for Reconstruction and Development, if the Bank so decides.

By resolution of the Board of Governors (Resolution No. 13, First Annual Meeting) an increase of the French quota from $450 million to $525 million was approved and this increase has been accepted by France.

The Board of Governors resolved that the quota of Paraguay be increased from $2 million to $3.5 million (Resolution No. 12, First Annual Meeting). At the end of the fiscal year, Paraguay had not taken advantage of the authorized increase by applying for an increase in its subscription in the Bank.

The request for an increase in the quota of Iran was referred by the Board of Governors to the Executive Directors for their recommendation (Resolution No. 11, First Annual Meeting). Since the First Annual Meeting a request for an increase in the quota of Egypt has also been received. The Executive Directors are submitting their recommendations to the Board of Governors on these two requests in separate documents.

Executive Directors

Mr. Harry D. White resigned as United States Executive Director effective June 1, 1947, and Mr. Andrew N. Overby was appointed to succeed him. In expressing their thanks to Mr. White for outstanding services rendered the Fund and its members, the Executive Directors appointed him to the special position of honorary Adviser to the Fund.

Denmark was admitted to membership in the Fund on March 30, 1946, just after the Inaugural Meeting of the Fund and, therefore, did not participate in the election of Executive Directors at that meeting. A request by Denmark that arrangements be made by which the Danish Governor might cast the Danish vote in favor of one of the Directors elected at the Inaugural Meeting was considered by the Board of Governors at their last Annual Meeting and was referred to the Executive Directors (Resolution No. 4, First Annual Meeting). The Executive Directors considered the request and concluded that a country admitted to membership in the Fund between elections cannot designate to cast its votes an Executive Director holding office at the time the interim election takes place under Savannah Resolution No. 10. The Executive Directors further concluded that Denmark's votes would be cast by the Director elected under Savannah Resolution No. 10.

This resolution provided for the election of one additional Executive Director under certain conditions of increased membership. With the admission to the Fund of Denmark, Venezuela, Turkey and Italy, bringing votes of countries unrepresented by Executive Directors to a total of 4,060, the election of an additional Executive Director was held. Mr. Guido Carli of Italy was declared elected on May 14 and is accordingly entitled to cast the votes of those members who were eligible to participate in the election.

The Executive Directors of the Fund and their voting power as of June 30, 1947, are shown in Appendix III and changes in the Executive Directors during the fiscal year in Appendix IV.

Staff

At the time of the last Annual Meeting, the operating staff on duty numbered approximately 100 persons. Further recruitment of qualified staff has proceeded carefully with due regard to the importance of recruiting on as wide a geographical basis as possible. On June 30, 1947, the staff numbered 355 recruited from 27 countries. The distribution of the staff by salary and geographical area is shown in Appendix V.

A staff pension plan to be operated jointly by the Fund and the Bank and a contributory health insurance scheme are under consideration.

Relations with Member Countries

For the completeness of its information, the Fund is largely dependent on the cooperation of its members. It must look to them not only for financial and economic data but also for data concerning exchange controls and practices and for the laws, regulations and agreements upon which these controls and practices are based. A steady flow and exchange of information is essential in order that the policies and actions of the Fund may be directed toward the best solution of problems from the international point of view in the light of its knowledge of the position and individual interests of all members.

The flow of information in itself is not enough. It is necessary to evaluate the information against the background of conditions in member countries. In the past year representatives of the Fund have visited nearly all of the member countries and have discussed problems with their monetary authorities and officials. Such close relations involving frequent consultation must be continued if the Fund is to be fully aware of the problems of members and if members are to have a full understanding of the working of the Fund.

At the request of Ecuador, the Fund provided a technical mission for consultation on exchange and monetary problems.

Information on Silver

At their First Annual Meeting, the Board of Governors resolved that:

> The Fund shall gather whatever material is available and obtainable on the monetary uses of silver; the real function of silver coins; risks and uncertainties of its monetary uses; possibilities of cooperation in the use of silver for monetary purposes, et cetera. In general, the Fund shall gather material, statistical or otherwise, which could be useful in facilitating discussions on the subject in an international conference among interested member countries.

The Fund has been gathering material called for by this resolution. In order to help complete this task further information on silver legislation and monetary uses of silver will be requested from members.

Rules and Regulations

Certain modifications and additions have been made to the Rules and Regulations which have been communicated to members and are being submitted separately to the Board of Governors for review.

Relations with Other International Organizations

The Fund and the International Bank have been working together on their common problems. In addition, the Fund and United Nations have developed their cooperative relationship, and satisfactory liaison has been established with the Food and Agriculture Organization and the International Labor Organization. There is general recognition of the Fund's important position as the central international organization in the field of foreign exchange, monetary reserves and international payments and as a source of advice and assistance in these matters.

The Fund and United Nations have been considering the terms of an agreement defining their relationship. It is hoped a formal agreement will be reached for submission to the Board of Governors.

The Fund has been invited to participate in or send observers to meetings of the organs of the United Nations which are concerned with matters of interest to the Fund.

The Fund has taken an active part in the work of the conference in which the Charter for a proposed International Trade Organization is being drafted. Close liaison is clearly needed in view of the importance of balance of payments considerations in the field of trade as well as exchange policy. Specifically, important provisions of the proposed Charter relate to the use of quantitative restrictions on imports for balance of payments or monetary reserve reasons, which are matters of direct concern to the Fund. A satisfactory relationship has been established between the Preparatory Committee and the Fund Representatives, and a good understanding of the probable inter-relationship of the activities of the two organizations has developed. It is anticipated that a formal arrangement will be worked out between the Fund and the International Trade Organization (or the Interim Trade Committee) when the latter is finally established.

Financial Report

Section 20 of the By-Laws requires that the Executive Directors shall have an audit of the accounts of the Fund made at least once each year and on the basis of this audit shall submit a balance sheet and a statement of operations of the Fund to the Board of Governors, to be considered by them at their Annual Meeting.

In accordance with the resolution adopted by the Board of Governors at their last Annual Meeting, the external audit of the Fund has been performed by an Auditing Committee consisting of auditors from the Treasuries of four member countries. At the Fund's request, the Governors for Canada, France, the Union of South Africa and the United States nominated auditors to serve on this Committee. They respectively nominated Mr. Joseph Hopkinson, Assistant Auditor General; Mr. Gilles Warnier de Wailly, Inspector of Finance; Mr. Henry John Alfred Bartie, Chief Inspector, Comptroller and Auditor General's Department; and Mr. Gilbert L. Cake, Associate Commissioner of Accounts, Treasury Department. The report of the Auditing Committee is being submitted separately.

The Auditors' certificate, together with a condensed balance sheet as of June 30, 1947, and certain supporting Schedules are attached as Appendix VI. A statement of exchange transactions is attached as Appendix VII. A summary of subscription payments by members and a statement of the Fund's holdings of member currencies as of June 30, 1947, are attached as Appendix VIII.

The Board of Governors also requested the Executive Directors to give further consideration to the auditing requirements of the Fund. A separate report on this subject is being submitted.

Administrative Budget

The Executive Directors are recommending to the Board of Governors that the fiscal year-end be changed from June 30 to April 30. Alternative Administrative Budgets for 10-month and 12-month periods beginning July 1, 1947, as approved by the Executive Directors, are accordingly presented in Appendix IX.

INITIAL PAR VALUES AND MAINTENANCE OF EXCHANGE STABILITY

THE Fund Agreement provides that the par values of the currencies of the members are to be established in the first instance by agreement with the Fund. Thereafter, they may be changed only after consultation with the Fund and in accordance with the Fund Agreement. This recognition of international responsibility for exchange stability is of fundamental importance; but such stability cannot be assured merely by formal agreement. Satisfactory exchange relations, free from harmful fluctuations, can develop only as national economies achieve strength and stability and world trade expands.

The establishment of initial par values by the Fund on December 18, 1946, was not only an indispensable step along the path of international monetary cooperation but also the completion of the Fund's first major undertaking. The Fund accepted the parities proposed for the currencies of 32 members and a number of non-metropolitan areas, and later, as membership was assumed, it accepted the par values of the currencies of Venezuela and Turkey.[3] The public statement issued by the Fund at the time the par values were agreed is attached as Appendix X and the Schedule of Par Values as Appendix XI.

At the request of the countries concerned, consideration of the par values of Brazil, China, the Dominican Republic, Greece, Poland, Uruguay and Yugoslavia, and certain non-metropolitan territories of France and the Netherlands, has been postponed.[4]

The determination of a satisfactory pattern of exchange rates is at any time a difficult problem. The problem is immeasurably more

[3]Since June 30, 1947, par values for Syria and Lebanon have also been agreed.
[4]At the request of Italy the ninety-day period for agreement on its par value which expired on July 25 has been extended.

difficult after the havoc and disruption of war when production, trade and prices are in process of adjustment to peacetime conditions. The parities of currencies cannot satisfactorily be based on abnormally high prices and production costs in devastated or disrupted economies. The Fund, in such abnormal conditions, did not think it advisable to encourage a general revision of exchange rates. To have done so would have gravely dislocated exchange relationships which were already working in practice and enabling trade to be carried on. It is by this practical test that the initial pattern of exchange rates should be judged in existing conditions. The test provided by "black" market and most "free" market rates is quite inappropriate in view of the restricted and very special character of such markets.

It must, however, be borne in mind that, even though no great difficulty may now be found by certain countries in selling export goods, prices, and therefore exchange rates, are still a factor in determining the international movement of goods, and they will become an increasingly important factor as the character and intensity of demand change and the more urgent deficiencies are made good. As this occurs the maintenance of present parities may in some cases impose an unduly contractionist influence which would reduce the exports of the countries concerned and adversely affect the flow of world trade.

The continuation of price inflation in a number of countries threatens to impair their ability to compete in world trade. To some extent, the price rise in most countries in 1946 was a response to the higher prices that developed in the United States when price controls were removed. But much of the impetus to higher prices in some countries originates in their inflationary fiscal and credit policies. The continuation of such policies would undermine the parities of the currencies of these countries. The Fund is calling the attention of these members to the need for dealing effectively with this problem.

In accordance with the Fund Agreement the Fund has also taken action in prescribing a margin for gold transactions by members. This margin has been fixed at $\frac{1}{4}$ of 1 per cent above and below par, exclusive of certain specified charges (Rules and Regulations, F-4). These margins are directed at stabilizing the price of monetary gold for all members and preventing any significant divergences from par of the external value of member currencies through transactions in gold.

Furthermore, in June 1947, with a view to preventing the extension of external gold transactions at premium prices, which generally involve a loss of gold from monetary reserves and which might contribute to the undermining of exchange stability, the Fund requested all its members to cooperate in the elimination of such transactions. The statement of the views of the Fund concerning transactions in gold at premium prices which was communicated to all members is attached as Appendix XII.

THE FUND'S RESOURCES AND TRANSACTIONS

Subscriptions

ON December 19, 1946, it was announced that the Fund would be ready to begin exchange transactions on March 1, 1947. Subscriptions of the members for whose currencies par values had been agreed accordingly became payable before that date. By March 1, subscriptions had been received from members eligible to use the Fund's resources accounting for not less than 65 per cent of the aggregate quotas set out in Schedule A, and all other requirements for the beginning of exchange transactions had been fulfilled.

Gold depositories had previously been established in New York, London, Shanghai, Paris and Bombay, and in almost all member countries a currency depository had been designated for the deposit of the member's currency owned by the Fund.

The aggregate quotas of countries for whose currencies par values had been agreed by June 30, 1947, amounted to $6,586 million as of that date. Quotas of members for whose currencies par values had not been agreed by June 30, 1947, amounted to $1,136 million. Pending agreement on par values and the payment of subscriptions these members will not be able to use the resources of the Fund unless special terms and conditions are agreed with the Fund. Of the 34 members for whose currencies par values had been agreed by June 30, 1947, 29 had completed payment of their subscriptions equivalent to $6,515 million, by that date. The total amount of subscriptions paid as of June 30, 1947, was the equivalent of $6,535 million, and the amount of subscriptions to be paid was the equivalent of $51 million.[5]

[5]Since June 30, 1947, one additional member has completed payment of its subscription. One other has completed payment of 99.9 per cent. Discussions are being pursued with the three remaining members whose unpaid subscriptions total nearly $13 million.

On June 30, 1947, 19 members had paid that part of their subscription payable in gold on the basis of 25 per cent of their quota, and 11[6] members had paid in gold on the basis of ten per cent of their declared net official holdings of gold and United States dollars as of September 12, 1946, the date on which the Fund requested the communication of par values by members. The formula for ascertaining the net official holdings of gold and United States dollars of those members paying their gold subscriptions on the basis of ten per cent of these holdings has raised intricate questions. The Fund is considering them carefully and some general rulings have been adopted. However, in order to ensure uniformity of treatment for all members affected, the gold subscriptions of members paying on the basis of ten per cent of their holdings have in general been accepted provisionally pending a precise determination of the amount payable in gold due from them.

As permitted by the Agreement, 18 of the 34 members for whose currencies par values were agreed by June 30, 1947, elected to substitute non-negotiable non-interest bearing notes payable on demand for part of their subscription payable in their own currency.

Of the total subscriptions paid as of June 30, 1947, equivalent to $6,535 million, $1,344 million was paid in gold, the equivalent of $5,190 million was paid by members in their own currencies, and the remaining $1 million, equal to one one-hundredth of one per cent of total subscriptions, was paid in United States dollars by all members, including the United States, for the purpose of meeting administrative expenses. Of the $5,190 million paid by members in their own currencies, $2,062 million was paid in dollars by the United States. The total amount of subscriptions paid in dollars was, therefore, $2,063 million and the amount paid in other member currencies was the equivalent of $3,128 million. A summary of subscription payments by members is contained in Appendix VIII.

[6]Provisionally one other member has paid no part of its subscription in gold because that member has declared no net official holdings of gold or U. S. dollars.

Foreign Exchange Transactions

A statement of the Fund's transactions in member currencies from March 1 to June 30, 1947, is given in Appendix VII. During this period the Fund sold $50 million in United States funds to France and $6 million in United States funds and £1.5 million in sterling to the Netherlands.

The Fund has clarified with members the general procedure and the policy of the Fund in regard to requests by members for purchase of exchange against their own currencies. This involved, *inter alia,* the Fund's conception of Article V, Section 3(a)(i).

It was decided that the word "represents" in Article V, Section 3(a)(i) means "declares." It would be presumed that a member had fulfilled the conditions mentioned in Article V, Section 3(a)(i) if it declared that the currency it sought to purchase was presently needed for making payments in that currency which were consistent with the provisions of the Agreement. But the Fund might, for good reason, question the correctness of that declaration on the ground that the currency was not "presently needed" (a phrase which could be applied only in the light of the circumstances of each case) or because the currency was not needed for payments "in that currency" or because the payment would not be "consistent with the provisions of this Agreement." If the Fund concluded that a particular declaration was not correct, the Fund might postpone or reject the request, or accept it subject to conditions.

By close and continuous contact with its members, the Fund would expect to keep itself informed at all times of developments in each member country. In this way, it should be in a position to form a judgment as to whether a member's use of the Fund's resources would be in accordance with the purposes of the Fund. Through such contacts a member would be aware of the Fund's views and, unless the Fund had indicated that use of its resources would not be in accordance with the purposes of the Fund, the member would have the assurance that normally requests for the purchase of exchange would be met promptly by the Fund and that it might, therefore, with confidence consider the Fund's resources as a second line of reserve.

Gold Transactions

While exchange transactions will no doubt bulk largest in the operations of the Fund, there will nevertheless be scope for gold transactions by the Fund of a kind which would economize gold movements. Under Article V, Section 6(a), members have offered the Fund small quantities of gold in New York for sale against payment in United States dollars. Since the Fund can sell gold only to replenish its holdings of currency, the price it can generally offer for gold has to be determined in relation to the prospective terms of the sale of gold for currency when this becomes necessary. In the case of gold offered to the Fund in New York, the Fund cannot, under present circumstances, without exposing itself to possible loss, quote a price in dollars which would yield as high a return to members as they could secure by direct sale to the United States Treasury. There is nevertheless considerable scope for the Fund to effect economies in gold transactions particularly if gold movements are not all in one direction. The Fund will be aware of the plans of its members regarding the sale of gold for foreign currencies. Since the Fund holds gold in various centers there ought to be occasions when, having regard to its own policy with respect to the disposition of its gold assets and the plans of its members, the Fund can take gold from members in various centers at a price which would minimize transport costs and be mutually advantageous to both members and the Fund.

There will also be times when the Fund can offer facilities to members to exchange gold in one center for gold in another with a saving of shipping costs. In this connection, it is of interest to note that the Fund received more gold in New York than it was permitted to hold initially under the Fund Agreement, but the Fund was able to give gold in New York to two members against delivery of an equal quantity of gold to the Fund in London and in this way to place its gold holdings in accordance with the requirements of the Fund Agreement.

EXCHANGE RESTRICTIONS

CONTROL of capital movements is permitted to Fund members at all times. The Fund Agreement also provides that during a transitional period members may, subject to certain safeguards, maintain and adapt to changing circumstances exchange restrictions on payments and transfers for current international transactions. The members of the Fund which did not avail themselves of the transitional period arrangements, and which accordingly have already assumed the obligation to permit freely payments and transfers for current transactions, are El Salvador, Guatemala, Mexico, Panama and the United States.

Transitional Arrangements

It will thus be noted that most of the members of the Fund are maintaining exchange restrictions in the transitional period. In the countries whose economic position was seriously impaired by the war, the amounts of goods needed for reconstruction purposes and to meet minimum consumption requirements are in excess of their present limited productive capacity. Much of the current output of these countries is being used to repair the damage and deficiencies caused by the war. The amounts available for consumption are limited while the flow of income is kept at a high level as a result of the maintenance of economic activity, including that type of activity, such as reconstruction, which does not result immediately in a flow of consumer goods. There is, therefore, a latent inflationary pressure which in some cases is aggravated by the aftermath of wartime finance and by current budgetary deficits. In these circumstances the countries concerned are compelled to ration severely available supplies of domestically produced goods. Because of the large decline in their foreign exchange receipts, their need to limit the demand for imports is even greater.

Of the alternative methods available for limiting the demand for imports, quantitative import controls and exchange restrictions have appeared to most of these countries to be preferable to exchange depreciation. The disequilibrium in their balance of payments is temporarily very large, but it is due more to special factors connected with the war, which may in time be overcome, than to fundamental disparities in costs and prices. In the circumstances, only a very large depreciation would have had a significant effect on imports and, in view of their present limited capacity to export and the intense worldwide demand for goods, such a depreciation would not have added important amounts to the foreign exchange receipts of the countries concerned. For the reasons noted, these countries have decided to use direct control of imports and exchange payments as the primary means of limiting imports during the transitional period.

There are wide differences in the nature and severity of the restrictions maintained by members availing themselves of the special arrangements for the transitional period. In most European countries the urgency of conserving foreign exchange for the most essential imports has necessitated the continuation and even the extension of the severe wartime exchange restrictions. In several Eastern European countries exchange restrictions, although severe, are themselves subordinated to even more direct and comprehensive state intervention through state trading and barter arrangements. In many Latin American countries the huge demand for imports has necessitated the intensification of exchange restrictions, even though foreign exchange receipts are still in general at a high level. Their large demand for imports is in part a result of deferred wartime demand. In some countries, however, it is still more a reflection of the inflation of prices and incomes that has occurred since the end of the war.

Multiple currency practices when applied to current international transactions are generally a restriction on payments and transfers within the meaning of Article XIV, Section 2, of the Fund Agreement; they may, therefore, be maintained or, with the approval of the Fund, adapted to changing circumstances in the transitional period. Such practices have been in use for many years in various parts of the world and in some countries are an alternative to import restrictions. Those which are designed to restrict imports can be removed only when exchange rates and domestic price levels are adjusted to balance exchange receipts and the cost of necessary imports.

The attitude of the Fund toward the use of multiple currency practices and other types of exchange restrictions cannot be doctrinaire. It will take account of differences in conditions in member countries. During the past year the Government of Ecuador requested the approval of the Fund for an adaptation of its multiple currency practices through the imposition of a surcharge on non-essential imports, the surcharge to be used for retiring government debt. The Fund agreed to the use of this device for a short period. It will have the effect not only of limiting import demands but also of decreasing the present inflated volume of currency and credit. The statement issued by the Fund in agreeing to the request of Ecuador is attached as Appendix XIII.

Under the Fund Agreement the Fund is empowered in exceptional circumstances, even during the transitional period, to make representations to any member with a view to withdrawal of exchange restrictions. The Fund is at present studying exchange restrictions and multiple currency practices now in force and will consult with members with a view to the mitigation and eventual elimination of any whose maintenance is no longer warranted by balance of payments considerations or which have a harmful effect on the balance of payments of other countries. A necessary condition for the significant relaxation of restrictive exchange practices is the establishment of a better pattern of international payments. So far as Europe and the Far East are concerned, progress in this direction will depend largely on the course of trade made possible by the restoration of their own production and by the maintenance of demand in the great industrial countries. In many countries the relaxation of exchange restrictions which were made necessary by excessive import demands will ultimately depend on the success of appropriate credit and fiscal policies in eliminating monetary inflation.

The manner in which the gradual strengthening of the balance of payments position of a country makes possible the relaxation of exchange restrictions is illustrated by recent developments in Belgium. While the law gives extensive powers to the Belgium-Luxembourg Exchange Office, exchange is now granted liberally for every category of import, and many commodities can be imported without limitation. Even restrictions on the importation and exportation of bank notes, which in a system of exchange control are usually severely limited, have also been relaxed considerably.

During 1946 Brazil abolished its multiple currency practices which had consisted of six different rates of exchange as well as a tax of 5 per cent on exchange sales. These practices, however, were replaced by more stringent exchange restrictions in order to limit the demand for non-essential imports.

Transferability of Sterling

The most significant development in the elimination of wartime exchange restrictions is the re-establishment of the transferability of sterling in current international transactions. By the terms of the Anglo-American Financial Agreement, the Governments of the United States and the United Kingdom undertook not to impose restrictions on payments and transfers for current transactions after July 15, 1947, unless in exceptional circumstances a later date was agreed upon after consultation. The Government of the United Kingdom also agreed to complete arrangements under which the sterling receipts from current transactions of all sterling area countries (apart from receipts arising from military expenditure prior to December 31, 1948) would be freely available for current transactions in any currency area without discrimination.

To implement these provisions agreements were concluded between the United Kingdom and a number of other countries. Under these agreements, sterling acquired from current transactions by any one of these countries may be transferred to any other or to the United States and certain other Western Hemisphere countries. Sterling currently earned by any of these countries is thus transferable freely for current payments to other countries covered by these arrangements. The countries with whom agreements have been made are required to maintain adequate checks to prevent the use of sterling for capital transfers.

By invoicing trade and settling obligations in sterling, the recipient country thus secures an international currency that can be freely used for current transactions in nearly every part of the world. The wider use of sterling which this development makes possible means in practice that a very large part of the trade of the world is now conducted in terms of transferable currencies, particularly the U. S. dollar and sterling. The objective of restoring a system of multilateral payments, under which the proceeds of exports to any country can be used to pay for imports from any other country, is thus nearer achievement. It must be recognized, however, that the assumption of the obligation to permit the transfer of current sterling may add significantly to the burden of the deficit in the British balance of payments. There is therefore a danger that, if efforts to improve the United Kingdom's international position and the general international payments situation are not effective, the assumption of this obligation may compel the imposition of even more severe restrictions on imports and thus in some degree reduce the flow of world trade.

The complete integration of sterling into a world system of multilateral payments will be facilitated by the settlement of the problem of outstanding sterling balances held on July 15, 1947. These balances, which were to a very large extent accumulated during the war, now amount to roughly £3,500 million, the largest holders being

India and Egypt. Negotiations have been in progress for some time for a settlement of these claims.

Direct Trade Controls

The progress achieved even through the total elimination of exchange restrictions on current transactions would be illusory if direct trade controls were to take their place. One of the purposes of the discussions of the proposed Charter for an International Trade Organization, now going on, is to provide safeguards against such a risk. The draft Charter under discussion provides for close consultation between the Fund and the proposed Organization on all balance of payments and monetary reserve problems. The importance to the Fund of a successful International Trade Organization can hardly be overemphasized.

CONCLUDING OBSERVATIONS

THE completion of reconstruction is a prerequisite for making possible the shift of world trade in the direction necessary to establish international payments on a stronger and more permanent foundation. Beyond the immediate task of reconstruction there is the further vast problem of development. Provision of the modern means of production to under-developed regions is essential for the general expansion of production, employment and trade. The diversification of one-sided and less advanced economies and an improvement in the standards of living in such areas will, in time, transform the character and increase the volume of world trade and impart more resilience to the structure of international payments. The development of the productive resources of these areas requires considerable international investment; to some extent this must await an easing of the immediate pressure of reconstruction demands.

A large volume of world trade will facilitate the adjustment of international payments to secure international equilibrium in the post-transition period. With a large volume of world trade the devastated countries will be better able to balance their payments through an increase in their exports rather than through a restriction of their imports. At the same time an expansion of world trade will encourage investment in the under-developed countries. With world trade at a low level, balance can be reached only through further restrictions and a decline in standards of living.

Some of the conditions essential for attaining international equilibrium at a high level of world trade already exist. The increase in production and real incomes in most of the Western Hemisphere countries has enabled them greatly to expand their exports and to a lesser degree their imports as compared with their prewar position.

The maintenance of a high level of production and employment in the large creditor countries, and an expansion in their demand for imports, are essential elements in establishing a stronger pattern of international payments. If the full benefits of the world's greater capacity to produce are to be realized, and if international payments are to be balanced at a high level, the barriers to trade must also be reduced. In the movement in this direction, it is desirable that the creditor countries should take the lead.

The function of the Fund in this field is to see that, wherever possible, exchange restrictions on current transactions which hamper the growth of world trade are gradually eliminated. It will urge on all its members the adoption during the transition period of policies that will enable them to permit freely payments and transfers for current international transactions after the transition period has ended. It must be recognized, however, that the mere substitution for exchange restrictions of other measures such as direct quantitative restrictions or excessive tariffs will not reduce the restraints on trade. The determination to establish an international organization with positive functions in the field of trade is therefore encouraging.

International organizations can make an important contribution to progress in these directions, but fundamentally national policies will determine the kind of world economy which ultimately emerges. The international agencies can help to ensure that the economic and financial measures taken separately by each country do not set up areas of conflict and increase the difficulties of other countries, and thus disturb international economic relations. Within its field the Fund provides the machinery for coordination and cooperation among nations which is indispensable for progress.

APPENDICES

APPENDIX I

MEMBERSHIP, QUOTAS, GOVERNORS AND VOTING POWER AS OF JUNE 30, 1947

Country	QUOTAS		GOVERNOR *Alternate*	VOTES	
	Amount (000,000s)	Percent of Total		Number*	Percent of Total
Belgium	$ 225.0	2.91%	Maurice Frere *C. Duquesne Wathelet de la Vinelle*	2,500	2.83%
Bolivia	10.0	0.13	Rene Ballivian Calderon *Jaime Gutierrez Guerra*	350	0.40
Brazil	150.0	1.94	Francisco Alves dos Santos-Filho *Edgard de Mello*	1,750	1.98
Canada	300.0	3.89	Douglas Charles Abbott *Graham F. Towers*	3,250	3.68
Chile	50.0	0.65	Arturo Maschke *Fernando Illanes*	750	0.85
China	550.0	7.12	O. K. Yui *Hsi Te-Mou*	5,750	6.52
Colombia	50.0	0.65	Dr. Emilio Toro *Vacant*	750	0.85
Costa Rica	5.0	0.06	Julio Pena Morua *Angel Coronas Guardia*	300	0.34
Cuba	50.0	0.65	Dr. Guillermo Belt *Dr. Jose A. Rodriguez Dod*	750	0.85
Czechoslovakia	125.0	1.62	Dr. Jan Viktor Mladek *Julius Pazman*	1,500	1.70

Denmark	$68.0	0.88%	Carl Valdemar Bramsnaes *Einar Dige*	930	1.05%
Dominican Republic	5.0	0.06	Jesus Maria Troncoso *Jose Calzada*	300	0.34
Ecuador	5.0	0.06	Esteban F. Carbo *Sixto E. Duran-Ballen*	300	0.34
Egypt	45.0	0.58	Ahmed Zaki Bey Saad *Mahmoud Saleh El Falaki*	700	0.79
El Salvador	2.5	0.03	Catalino Herrera *Manuel Melendez V.*	275	0.31
Ethiopia	6.0	0.08	George A. Blowers *Vacant*	310	0.35
France	525.0	6.80	Pierre Mendes-France *Emmanuel Monick*	5,500	6.23
Greece	40.0	0.52	Dr. Xenophon Zolotas *Dr. Nicholas B. Kaskarelis*	650	0.74
Guatemala	5.0	0.06	Dr. Manuel Noriega Morales *Leonidas Acevedo*	300	0.34
Honduras	2.5	0.03	Dr. Julian R. Caceres *Jorge Fidel Duron*	275	0.31
Iceland	1.0	0.01	Asgeir Asgeirsson *Thor Thors*	260	0.29
India	400.0	5.18	Sir Chintaman Deshmukh *N. Sundaresan*	4,250	4.82
Iran	25.0	0.32	Abol Hassan Ebtehaj *Dr. Mocharraf Naficy*	500	0.57
Iraq	8.0	0.10	Ali Jawdat *A. M. Gailani*	330	0.37

APPENDIX I—Continued

MEMBERSHIP, QUOTAS, GOVERNORS AND VOTING POWER AS OF JUNE 30, 1947

Country	QUOTAS Amount (000,000s)	QUOTAS Percent of Total	GOVERNOR *Alternate*	VOTES Number*	VOTES Percent of Total
Italy	$ 180.0	2.33%	Prof. Luigi Einaudi *Dr. Ugo La Malfa*	2,050	2.32%
Lebanon	4.5	0.06	Dr. Charles Malik *George Hakim*	295	0.33
Luxembourg	10.0	0.13	Pierre Dupong *Hugues Le Gallais*	350	0.40
Mexico	90.0	1.17	Antonio Espinosa de los Monteros *Luciano Wiechers*	1,150	1.30
Netherlands	275.0	3.56	Dr. P. Lieftinck *Dr. M. W. Holtrop*	3,000	3.40
Nicaragua	2.0	0.03	Guillermo Sevilla Sacasa *Rafael A. Huezo*	270	0.31
Norway	50.0	0.65	Gunnar Jahn *Ole Colbjornsen*	750	0.85
Panama	0.5	0.01	Joaquin Jose Vallarino *Vacant*	255	0.29
Paraguay	2.0	0.03	Harmodio Gonzalez *Ruben Benitez*	270	0.31
Peru	25.0	0.32	Dr. Francisco Tudela Varela *Emilio G. Barreto*	500	0.57

Philippine Republic	$ 15.0	0.19%	Joaquin M. Elizalde	400	0.45%
			Narciso Ramos		
Poland	125.0	1.62	Edward Drozniak	1,500	1.70
			Januez Zoltowski		
Syria	6.5	0.08	Faiz El Khoury	315	0.36
			Husni A. Sawwaf		
Turkey	43.0	0.56	Nurullah Esat Sumer	680	0.77
			Bulent Yazici		
Union of South Africa	100.0	1.30	Jan Hendrik Hofmeyr	1,250	1.42
			Dr. Michiel Hendrik de Koch		
United Kingdom	1,300.0	16.84	Hugh Dalton	13,250	15.02
			Sir James Grigg		
United States	2,750.0	35.61	John W. Snyder	27,750	31.46
			William L. Clayton		
Uruguay	15.0	0.19	Vacant	400	0.45
			Hugo Garcia		
Venezuela	15.0	0.19	Dr. Carlos A. D'Ascoli	400	0.45
			Dr. Jose Antonio Mayobre		
Yugoslavia	60.0	0.78	Stane Krasovec	850	0.96
			Vaso Srzentic		
	$7,721.5	100.00%**		88,215	100.00%**

* Voting power varies on certain matters with use by members of Fund facilities.

** These figures do not add to 100% because of rounding.

APPENDIX II

CHANGES IN BOARD OF GOVERNORS

Changes in the composition of the Board of Governors since the First Annual Report have been as follows:

C. Duquesne Wathelet de la Vinelle appointed as Alternate Governor for Belgium August 9, 1946.

Sixto E. Duran-Ballen appointed as Alternate Governor for Ecuador September 6, 1946.

Narciso Ramos appointed as Alternate Governor for the Philippine Republic September 10, 1946.

Rene Ballivian Calderon appointed as Governor for Bolivia September 17, 1946.

Jaime Gutierrez Guerra appointed as Alternate Governor for Bolivia September 17, 1946.

Dr. Mocharraf Naficy succeeded Dr. Taghi Nassr as Alternate Governor for Iran September 23, 1946.

Stane Krasovec succeeded Lavoslav Dolinsek as Governor for Yugoslavia September 24, 1946.

Vaso Srzentic succeeded Ivan Randic as Alternate Governor for Yugoslavia September 24, 1946.

Douglas Charles Abbott succeeded James Lorimer Ilsley as Governor for Canada January 21, 1947.

Dr. M. W. Holtrop succeeded Prof. A. M. de Jong as Alternate Governor for the Netherlands March 1, 1947.

Dr. Costi K. Zurayk appointed as Governor for Syria April 11, 1947.

Husni A. Sawwaf appointed as Alternate Governor for Syria April 11, 1947.

Dr. Guillermo Belt succeeded Dr. Joaquin E. Meyer as Governor for Cuba April 14, 1947.

Dr. Jose A. Rodriguez Dod appointed as Alternate Governor for Cuba April 14, 1947.

Prof. Luigi Einaudi appointed as Governor for Italy April 19, 1947.

Dr. Ugo La Malfa appointed as Alternate Governor for Italy April 19, 1947.

Bulent Yazici appointed as Alternate Governor for Turkey April 24, 1947.

Dr. Carlos A. D'Ascoli appointed as Governor for Venezuela April 25, 1947.

Dr. Jose Antonio Mayobre appointed as Alternate Governor for Venezuela April 25, 1947.

Dr. Charles Malik appointed as Governor for Lebanon May 13, 1947.

George Hakim appointed as Alternate Governor for Lebanon May 13, 1947.

Fernando Illanes succeeded Luis Davila Echaurren as Alternate Governor for Chile May 15, 1947.

Catalino Herrera succeeded the late Frederico Vides S. as Governor for El Salvador May 16, 1947.

Faiz El Khoury succeeded Dr. Costi K. Zurayk as Governor for Syria June 26, 1947.

Nurullah Esat Sumer appointed as Governor for Turkey June 30, 1947.

APPENDIX III

EXECUTIVE DIRECTORS AND VOTING POWER

Executive Directors and *Alternate Directors*	Appointed by	Votes*	Percent of Total
A. N. Overby *George F. Luthringer*	**United States**	27,750	31.68
G. L. F. Bolton *M. H. Parsons*	**United Kingdom**	13,250	15.12
Yee-Chun Koo *Yueh-Lien Chang*	**China**	5,750	6.56
Jean de Largentaye *Vacant*	**France**	5,500	6.28
J. V. Joshi *B. K. Madan*	**India**	4,250	4.85
	Elected by		
Francisco Alves dos Santos-Filho *Octavio Paranagua*	**Bolivia**	350	
	Brazil	1,750	
	Chile	750	
	Ecuador	300	
	Panama	255	
	Paraguay	270	
	Peru	500	
	Uruguay	400	
		4,575	5.22
Rodrigo Gomez *Raul Martinez-Ostos*	**Colombia**	750	
	Costa Rica	300	
	Cuba	750	
	Dominican Republic	300	
	El Salvador	275	
	Guatemala	300	
	Honduras	275	
	Mexico	1,150	
	Nicaragua	270	
		4,370	4.99
G. W. J. Bruins *Willem Koster*	**Netherlands**	3,000	
	Union of South Africa	1,250	
		4,250	4.85

EXECUTIVE DIRECTORS AND VOTING POWER

Executive Directors and *Alternate Directors*	Elected by	Votes*	Percent of Total
Guido Carli	**Denmark**	930	
Giorgio Cigliana-	**Italy**	2,050	
Piazza	**Turkey**	680	
	Venezuela	400	
		4,060	4.63
Louis Rasminsky	**Canada**	3,250	
J. F. Parkinson	**Norway**	750	
		4,000	4.57
J. V. Mladek	**Czechoslovakia**	1,500	
Mihailo Kolovic	**Poland**	1,500	
	Yugoslavia	850	
		3,850	4.39
Hubert Ansiaux	**Belgium**	2,500	
Ernest de Selliers	**Iceland**	260	
	Luxembourg	350	
		3,110	3.55
Ahmed Zaki Bey Saad	**Egypt**	700	
Mahmoud Saleh El	**Ethiopia**	310	
Falaki	**Greece**	650	
	Iran	500	
	Iraq	330	
	Philippine Republic	400	
		2,890	3.30
		87,605	100.00**

* Voting power varies on certain matters with use by members of Fund facilities.

** These figures do not add to 100% because of rounding.

APPENDIX IV

CHANGES IN EXECUTIVE DIRECTORS

Changes in the composition of the Executive Board since the First Annual Report have been as follows:

M. H. Parsons was appointed Alternate Executive Director to G. L. F. Bolton succeeding A. P. Grafftey-Smith November 7, 1946.

Yueh-Lien Chang was appointed Alternate Executive Director to Yee-Chun Koo November 13, 1946.

D. Crena de Iongh, Alternate Executive Director to G. W. J. Bruins, resigned in December 1946.

Octavio Paranagua was appointed Alternate Executive Director to Francisco Alves dos Santos-Filho succeeding Octavio Bulhoes January 1, 1947.

Willem Koster was appointed Alternate Executive Director to G. W. J. Bruins succeeding Dr. L. R. W. Soutendijk, Temporary Alternate Executive Director, January 9, 1947.

J. F. Parkinson was appointed Alternate Executive Director to Louis Rasminsky succeeding R. B. Bryce March 6, 1947.

T. de Clermont-Tonnerre, Temporary Alternate Executive Director to Jean de Largentaye, resigned March 22, 1947.

Guido Carli was elected Executive Director for Denmark, Italy, Turkey, and Venezuela on May 14, 1947.

Giorgio Cigliana-Piazza was appointed Alternate Executive Director to Guido Carli May 24, 1947.

A. N. Overby was appointed Executive Director by the United States succeeding Harry D. White effective July 1, 1947.

APPENDIX V

DISTRIBUTION OF STAFF BY SALARY AND GEOGRAPHICAL AREA,
as of June 30, 1947

Area	Total	Distribution of Staff by Salary			
		$10,000 & above	$7,000-$10,000	$4,000-$7,000	Under $4,000
Total	355	8	43	60	244
Canada	30	1	2	2	25
Europe	42	3	9	15	15
Far East	11	...	4	3	4
Latin America	20	...	4	4	12
Middle East	4	...	1	2	1
South Africa	1	...	1	...	...
United Kingdom	23	1	5	3	14
United States	224	3	17	31	173

DISTRIBUTION OF STAFF POSITIONS OF $7,000 OR MORE BY GEOGRAPHICAL AREA, COMPARED WITH FUND QUOTAS,
as of June 30, 1947

Area	Positions of $7,000 or More		Fund Quotas
	Number	% of Total	% of Total
Total	51	100.0	100.0
Canada	3	5.9	3.9
Europe	12	23.5	21.8
Far East	4	7.8	12.5
Latin America	4	7.8	6.3
Middle East	1	2.0	1.8
South Africa	1	2.0	1.3
United Kingdom	6	11.8	16.8
United States	20	39.2	35.6

APPENDIX VI
CONDENSED BALANCE SHEET AND SUPPORTING SCHEDULES
LETTER OF TRANSMITTAL

August 6, 1947.

My dear Mr. Chairman:

In accordance with Section 20 of the By-Laws of the Fund, I have the honor to submit for the consideration of the Board of Governors a balance sheet and statement of operations of the Fund for the year ending June 30, 1947, together with the Auditors' Certificate.

In conformity with Resolution No. 10 adopted by the Board of Governors at their last Annual Meeting, the external audit of the Fund has been performed by an Auditing Committee consisting of auditors from the Treasuries of four member countries. At the Fund's request, the Governors for Canada, France, the Union of South Africa and the United States nominated auditors to serve on this Committee. They respectively nominated Mr. Joseph Hopkinson, Assistant Auditor General; Mr. Gilles Warnier de Wailly, Inspector of Finance; Mr. Henry John Alfred Bartie, Chief Inspector; and Mr. Gilbert L. Cake, Associate Commissioner of Accounts.

It will be noted that the Auditors' Certificate is qualified to the extent that they were unable to confirm a depository balance as at June 30, 1947, representing national currency of a value equivalent to U. S. dollars 37,500, for the reason that no reply was received from the depository to requests for such confirmation as at June 30, 1947. However, the Fund has received confirmation of the balance as at July 31, 1947, which agrees with the previously confirmed balance as at May 31, 1947, no movement of funds having taken place in that particular account during the intervening two months.

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

Yours sincerely,

GUTT,
Chairman of the Executive Board

The Right Honorable Hugh Dalton
Chairman, Board of Governors
International Monetary Fund

APPENDIX VI (i)

AUDITORS' CERTIFICATE

"We have made an independent examination of the Balance Sheet of the International Monetary Fund as at June 30, 1947, and of the related Income and Expenditure Account for the year ended that date. In connection with our audit 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, to the extent practicable, that financial transactions have been conducted by the Fund in compliance with the Articles of Agreement, By-Laws, and Rules and Regulations of the Fund; and we have obtained from the officers and staff of the Fund such information and representations as we have required in connection with the foregoing. We have also made a general review of the accounting methods and system of internal financial control, concerning which certain suggestions have been made to the appropriate authority.

"In our opinion, based on our examination and subject to the qualification stated below, such Balance Sheet and related Income and Expenditure Account, together with the notes appearing thereon, fairly present the financial position of the International Monetary Fund and the results of its operations for the year ended June 30, 1947.

"We were unable to confirm a depository balance as at June 30, 1947, representing national currency of a value equivalent to United States dollars $37,500, for the reason that no reply was received from the depository to requests for such confirmation."

/s/ JOSEPH HOPKINSON
(Canada)

/s/ H. J. A. BARTIE
(Union of South Africa)

/s/ G. DE WAILLY
(France)

/s/ GILBERT L. CAKE
(United States)

APPENDIX VI (ii)

INTERNATIONAL MONETARY FUND—CONDENSED BALANCE SHEET

June 30, 1947

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

ASSETS

GOLD WITH DEPOSITORIES [1]		
38,408,787.584 fine ounces at U.S. $35.00 per fine ounce		$1,344,307,565.44
CURRENCY WITH DEPOSITORIES		816,784,021.35
SECURITIES OF MEMBERS		
Non-negotiable, non-interest bearing, payable at face value on demand, in Members' currencies		4,372,253,422.68
SUBSCRIPTIONS RECEIVABLE		
Balances due and payable—		
Members whose par values have been established	$50,657,628.58	
Balances not due until Members' par values have been established	1,135,886,400.00	1,186,544,028.58
OTHER ASSETS		137,448.81
TOTAL ASSETS		$7,720,026,486.86

LIABILITIES

CAPITAL		
Authorized subscriptions of Members		$7,721,500,000.00
Less: Excess of Expenditure over Income:		
From inception to June 30, 1946	$97,381.88	
For the year ended June 30, 1947, as per Income and Expenditure Account	1,606,028.24	1,703,410.12
Net Capital		$7,719,796,589.88
RESERVE FOR TURNING GOLD INTO GOOD DELIVERY BARS		62,469.11
OTHER LIABILITIES [2]		167,427.87
TOTAL LIABILITIES		$7,720,026,486.86

/s/ C. M. POWELL
Comptroller

/s/ GUTT
Managing Director

[1] Gold with depositories includes 6,960 bars .995 fine or higher with the New York depository of the Fund which are not U.S. Assay Office unmutilated bars but are bars of refineries otherwise acceptable to the Fund. The gold does not include 153.143 fine ounces held earmarked by the Fund for members in respect of excess payments for service charges on exchange transactions.

[2] The Fund's By-Laws provide that Governors, Directors, Alternates, and staff members shall, in addition to allowances and salaries, be compensated for national income taxation thereon. So far, the nationals of only two countries have been thus compensated. While certain liabilities are considered to exist with respect to unascertained claims, it has been impracticable to estimate any amount as at June 30, 1947, for such tax claims.

APPENDIX VI(iii)

INTERNATIONAL MONETARY FUND
CONDENSED INCOME AND EXPENDITURE ACCOUNT

For the Year Ended June 30, 1947

INCOME

Service charges on transactions	
13,295.358 ounces of fine gold at U.S. $35 per ounce	$465,337.50
Other income	222.25
Total Income	$465,559.75

EXPENDITURES

Personnel services	
Salaries and wages	$1,164,115.83
Compensation for National Income Tax	107,322.88
Other personnel expenditure	50,470.00
	$1,321,908.71
Travel	169,600.57
Communication	38,519.17
Rents (real property), maintenance and utilities	184,180.63
Books and printing	19,254.02
Supplies and equipment	275,902.03
Miscellaneous	6,010.84
Meetings of the Board of Governors	54,387.55
Handling charges on transfers of gold	1,824.47
Total Expenditures	$2,071,587.99

SUMMARY

Expenditures	$2,071,587.99
Income	465,559.75
Excess of Expenditures over Income, carried to Balance Sheet	$1,606,028.24

APPENDIX VI(iv)

INTERNATIONAL MONETARY FUND

GOLD WITH DEPOSITORIES

June 30, 1947

(Valued at U.S. $35.00 per Fine Ounce)

	Fine ounces	Percent distribution
Banque de France [1]	2,282,926.304	5.94
Reserve Bank of India	785,327.246	2.04
Bank of England	13,558,336.621	35.30
Federal Reserve Bank of New York [2]	21,782,197.413	56.72
	38,408,787.584	100%

[1] Excluding 1.000 fine ounce of gold held earmarked by the Fund for France.

[2] Excluding 152.143 fine ounces of gold held earmarked by the Fund for Netherlands.

APPENDIX VI(v)
CURRENCY WITH DEPOSITORIES
June 30, 1947

Depository	Currency	Currency Units: No. 1 Account	Currency Units: No. 2 Account	Currency Units: Total	Exchange Rate*	U.S. Dollar Equivalent
Banque Nationale de Belgique	Belgian Francs	986,290,625.00	80,333.10	986,370,958.10	43.8275	$ 22,505,754.56
Bank of Canada	Canadian Dollars	30,998,000.00	1,405.67	30,999,405.67	1.000 0	30,999,405.67
Banco Centrale de Chile	Chilean Pesos	1,274,459,287.15	29,894.00	1,274,489,181.15	31.000 0	41,112,554.23
Banco de La Republica de Colombia	Colombian Pesos	65,622,200.73	2,000.00	65,624,200.73	1.74999	37,499,757.55
Issue Dept., Banco Nacionale de Costa Rica	Costa Rican Colones	26,220,578.11	5,000.00	26,225,578.11	5.61500	4,670,628.33
National Treasury of Cuba	Cuban Pesos	4,994,680.24	5,000.00	4,999,680.24	1.000 00	4,999,680.24
National Bank of Czechoslovakia	Czechoslovak Koruny	625,000,000.00	97,482.50	625,097,482.50	50.000 00	12,501,949.65
Danmarks National Bank	Danish Kroner	32,633,250.62	9,891.25	32,643,141.87	4.799 01	6,802,057.48
Banco Central du Ecuador	Ecuadorean Sucres	50,609,477.13	14,000.00	50,623,477.13	13.5000	3,749,887.20
Treasury of Egypt	Egyptian Pounds	1,087,208.633	460.550	1,087,669.183	*413.300	4,495,336.73
Banco Central de Reserva de El Salvador	El Salvadoran Colones	4,684,905.50	2,330.75	4,687,236.25	2.50000	1,874,894.50
State Bank of Ethiopia	Ethiopian Dollars	1,490,683.23	2,302.30	1,492,985.53	*40.2500	600,926.68
Banque de France	French Francs	6,257,261,310.80	513,218.00	6,257,774,528.80	119.107	52,539,099.54
Banco de Guatemala	Guatemalan Quetzales	3,748,940.19	1,000.00	3,749,940.19	1.000 00	3,749,940.19
National Bank of Iceland	Icelandic Kronur	4,860,635.68	5,973.60	4,866,609.28	6.48885	749,995.65

Reserve Bank of India	Indian Rupees	132,324,177.50	6,518.28	132,330,695.78	*30.2250	39,996,952.80
Bank Melli Iran	Iranian Rials	80,595,000.00	30,000.00	80,625,000.00	32.250 00	2,500,000.00
Rafidain Bank	Iraqi Dinars	199,663.150	244.045	199,907.195	*403.000	805,625.99
Banque Nationale de Belgique	Luxembourg Francs	43,777,500.00	46,450.00	43,823,950.00	43.8275	999,919.00
Banco de Mexico, S.A.	Mexican Pesos	327,706,504.05	1,721.51	327,708,225.56	4.85500	67,499,119.57
de Nederlandsche Bank N. V.	Netherlands Guilders	73,095,914.44	7,734.04	73,103,648.48	2.65285	27,556,646.05
Issue Dept., Banco Nacionale de Nicaragua	Nicaraguan Cordobas	7,494,121.67	5,000.00	7,499,121.67	5.000 00	1,499,824.33
Norges Bank	Norwegian Kroner	24,848,623.25	4,954.04	24,853,577.29	*20.1500	5,007,995.82
Banco Nacionale de Panama	Panamanian Balboas	36,500.00	1,000.00	37,500.00	1.00000	37,500.00
Banco del Paraguay	Paraguayan Guaranies	4,627,390.57	3,639.78	4,631,030.35	3.09000	1,498,715.32
Banco Central de Reserva Del Peru	Peruvian Soles	16,259,577.53	6,000.00	16,265,577.53	6.50000	2,502,396.55
Philippine National Bank	Philippine Pesos	22,497,902.42	1,969.76	22,499,872.18	2.000 00	11,249,936.09
Reserve Bank of South Africa	South African Pounds	2,481,389–11/7	1,092–15/3	2,482,482–6/10	*403.000	10,004,403.83
Banque Centrale de la Republique de Turquie	Turkish Lira	12,046,405.73	3,000.00	12,049,405.73	2.80000	4,303,359.19
Bank of England	United Kingdom Pounds	32,267,755–7/8	1,240–18/1	32,268,996–5/9	*403.000	130,044,055.03
Federal Reserve Bank of New York	U. S. Dollars	280,804,541.76	97,418.56	280,901,960.32	1.000 00	280,901,960.32
†Riggs National Bank	U. S. Dollars	....	23,785.23	23,785.23	1.000 00	23,785.23
Banco Central de Venezuela	Venezuelan Bolivares	5,021,859.42	3,000.00	5,024,859.42	3.3500	1,499,958.03
						$816,784,021.35

* Exchange rate quoted in currency units per U.S. dollar except items marked with asterisk (*) which are quoted in U.S. cents per currency unit.

† A checking account is maintained with Riggs National Bank in Washington, D.C. for the purpose of making local payments for administrative expenditures.

APPENDIX VI(vi)

INTERNATIONAL MONETARY FUND — SECURITIES OF MEMBERS

June 30, 1947

Member	Currency	Currency Units	Exchange Rate*	U.S. Dollar Equivalent
Belgium	Belgian Francs	6,409,500,000.00	43.8275	$ 146,243,796.70
Canada	Canadian Dollars	194,000,000.00	1.00000	194,000,000.00
Cuba	Cuban Pesos	32,500,000.00	1.00000	32,500,000.00
Czechoslovakia	Czechoslovak Koruny	5,552,478,996.00	50.0000	111,049,579.92
Denmark	Danish Kroner	267,172,231.34	4.79901	55,672,363.95
Egypt	Egyptian Pounds	8,462,006.00	413.300*	34,973,470.80
Ethiopia	Ethiopian Dollars	13,377,375.30	40.2500*	5,384,393.56
France	French Francs	52,750,000,000.00	119.107	442,879,091.90
India	Indian Rupees	1,100,000,000.00	30.2250*	332,475,000.00
Iran	Iranian Rials	523,931,120.30	32.2500	16,245,926.21
Iraq	Iraqi Dinars	1,785,000.00	403.000*	7,193,550.00
Luxembourg	Luxembourg Francs	380,167,570.05	43.8275	8,674,178.77
Netherlands	Netherlands Guilders	506,000,000.00	2.65285	190,738,262.62
Norway	Norwegian Kroner	161,250,322.58	20.1500*	32,491,940.00
Peru	Peruvian Soles	125,743,686.00	6.50000	19,345,182.46
South Africa	South African Pounds	16,126,410.17/4	403.000*	64,989,435.79
United Kingdom	United Kingdom Pounds	236,575,000.00	403.000*	953,397,250.00
United States	United States Dollars	1,724,000,000.00	......	1,724,000,000.00
				$4,372,253,422.68

* Exchange rates quoted in currency units per United States dollar except those marked with an asterisk which are quoted in United States cents per currency unit.

APPENDIX VI(vii)

INTERNATIONAL MONETARY FUND
SUBSCRIPTIONS RECEIVABLE

Balances Not Payable Until Members' Par Values Have Been Established

June 30, 1947

Member	Expressed in U. S. Dollars
Brazil	$ 149,985,000.00
China	549,945,000.00
Dominican Republic	4,999,500.00
Greece	39,996,000.00
Poland	124,987,500.00
Uruguay	14,998,500.00
Yugoslavia	59,994,000.00
Italy	179,982,000.00
Syria	6,499,350.00
Lebanon	4,499,550.00
	$1,135,886,400.00

APPENDIX VII

INTERNATIONAL MONETARY FUND

STATEMENT OF EXCHANGE TRANSACTIONS

for the period March 1, 1947 to June 30, 1947

Date of Transfer 1947	Member	Currency Sold by the Fund		Currency Bought by the Fund in Exchange		Service Charge Gold, fine ounces
		Currency	Amount	Currency	Amount	
May 8	**France**	U.S. Dollars	25,000,000.00	French Francs	2,977,675,000.00	**5,357.143**
May 16	**Netherlands**	U.S. Dollars Pounds Sterling	6,000,000.00 1,500,000.0.0	Netherlands Guilders	31,953,601.94	**2,581.072**
June 23	**France**	U.S. Dollars	25,000,000.00	French Francs	2,977,675,000.00	**5,357.143**

SUMMARY

Currencies Sold to Members by the Fund

Currency	Amount
U.S. Dollars	56,000,000.00
Pounds Sterling	1,500,000.0.0

Currencies Bought from Members by the Fund

Member	Currency	Amount	Percent of Member's Quota
France	French Francs	5,955,350,000.00	9.52
Netherlands	Netherlands Guilders	31,953,601.94	4.38

Service Charges

13,295.358 fine ounces of gold

APPENDIX VIII (i)

HOLDINGS OF CURRENCIES, INCLUDING NON-NEGOTIABLE, NON-INTEREST BEARING DEMAND SECURITIES SUBSTITUTED BY MEMBERS IN LIEU OF CURRENCY,

As of June 30, 1947

Depositories	Currency	Balances with Depositories	Securities of Members	Total of Balances and Securities	Equivalent in U. S. Dollars	Established Parity Rate Used*
Banque Nationale de Belgique	Belgian Francs	986,370,958.10	6,409,500,000.00	7,395,870,958.10	$168,749,551.26	43.8275
Bank of Canada	Canadian Dollars	30,999,405.67	194,000,000.00	224,999,405.67	224,999,405.67	1.0000
Banco Centrale de Chile	Chilean Pesos	1,274,489,181.15	....	1,274,489,181.15	41,112,554.23	31.0000
Banco de la Republica de Colombia	Colombian Pesos	65,624,200.73	....	65,624,200.73	37,499,757.55	1.74999
Issue Dept., Banco Nacionale de Costa Rica	Costa Rican Colones	26,225,578.11	....	26,225,578.11	4,670,628.33	5.61500
National Treasury of Cuba	Cuban Pesos	4,999,680.24	32,500,000.00	37,499,680.24	37,499,680.24	1.00000
National Bank of Czechoslovakia	Czechoslovak Koruny	625,097,482.50	5,552,478,996.00	6,177,576,478.50	123,551,529.57	50.00000
Danmarks National Bank	Danish Kroner	32,643,141.87	267,172,231.34	299,815,373.21	62,474,421.43	4.79901
Banco Central del Ecuador	Ecuadorean Sucres	50,623,477.13	....	50,623,477.13	3,749,887.20	13.5000
Treasury of Egypt	Egyptian Pounds	1,087,669.183	8,462,006.000	9,549,675.183	39,468,807.53	413.300*
Banco Central de Reserva de El Salvador	El Salvadoran Colones	4,687,236.25	....	4,687,236.25	1,874,894.50	2.50000
State Bank of Ethiopia	Ethiopian Dollars	1,492,985.53	13,377,375.30	14,870,360.83	5,985,320.24	40.2500*
Banque de France	French Francs	6,257,774,528.80	52,750,000,000.00	59,007,774,528.80	495,418,191.44	119.107
Banco de Guatemala	Guatemalan Quetzales	3,749,940.19	....	3,749,940.19	3,749,940.19	1.00000
National Bank of Iceland	Icelandic Kronur	4,866,609.28	....	4,866,609.28	749,995.65	6.48885
Reserve Bank of India	Indian Rupees	132,330,695.78	1,100,000,000.00	1,232,330,695.78	372,471,952.80	30.2250*
Bank Melli Iran	Iranian Rials	80,625,000.00	523,931,120.30	604,556,120.30	18,745,926.21	32.25000
Rafidain Bank	Iraqi Dinars	199,907.195	1,785,000.000	1,984,907.195	7,999,175.99	403.000*

Banque Nationale de Belgique	Luxembourg Francs	43,823,950.00	380,167,570.05	423,991,520.05	9,674,097.77	43.8275
Banco de Mexico, S.A.	Mexican Pesos	327,708,225.56	....	327,708,225.56	67,499,119.57	4.85500
de Nederlandsche Bank N.V.	Netherlands Guilders	73,103,648.48	506,000,000.00	579,103,648.48	218,294,908.67	2.65285
Issue Dept., Banco Nacionale de Nicaragua	Nicaraguan Cordobas	7,499,121.67	....	7,499,121.67	1,499,824.33	5.00000
Norges Bank	Norwegian Kroner	24,853,577.29	161,250,322.58	186,103,899.87	37,499,935.82	20.1500*
Banco Nacionale de Panama	Panamanian Balboas	37,500.00	....	37,500.00	37,500.00	1.00000
Banco del Paraguay	Paraguayan Guaranies	4,631,030.35	....	4,631,030.35	1,498,715.32	3.09000
Banco Central de Reserva del Peru	Peruvian Soles	16,265,577.53	125,743,686.00	142,009,263.53	21,847,579.01	6.50000
Philippine National Bank	Philippine Pesos	22,499,872.18	....	22,499,872.18	11,249,936.09	2.00000
Banque Centrale de la Republique de Turquie	Turkish Lira	12,049,405.73	....	12,049,405.73	4,303,359.19	2.80000
Reserve Bank of South Africa	South African Pounds	2,482,482–6/10	16,126,410–17/4	18,608,893–4/2	74,993,839.62	403.000*
Bank of England	United Kingdom Pounds	32,268,996–5/9	236,575,000.0.0	268,843,996–5/9	1,083,441,305.03	403.000*
Federal Reserve Bank of New York	U.S. Dollars	280,901,960.32	1,724,000,000.00	2,004,901,960.32	2,004,901,960.32	1.00000
Riggs National Bank	U.S. Dollars	23,785.23	....	23,785.23	23,785.23	1.00000
Banco Central de Venezuela	Venezuelan Bolivares	5,024,859.42	....	5,024,859.42	1,499,958.03	3.35000
					$5,189,037,444.03**	

* Rates quoted in currency units per U.S. Dollar except items marked with asterisk which are quoted in U.S. Cents per currency unit.

** As per Balance Sheet:

Currency with Depositories	$ 816,784,021.35
Securities of Members	4,372,253,422.68
	$5,189,037,444.03

APPENDIX VIII (ii)
SUMMARY OF SUBSCRIPTION PAYMENTS BY MEMBERS,
As at June 30, 1947

Member	Quota in Millions U.S. Dollars	Paid in U.S. Dollars[a]	Paid in Gold	
			Fine Ounces	U.S. Dollar Equivalent
Belgium	225	22,500.00	1,606,500.000	$56,227,500.00
Bolivia	10	1,000.00		
Brazil	150	15,000.00		
Canada	300	30,000.00	2,142,000.000	74,970,000.00
Chile	50	5,000.00	[b]253,784.067	8,882,442.35
China	550	55,000.00		
Colombia	50	5,000.00	357,004.303	12,495,150.61
Costa Rica	5	500.00	[b]9,396.333	328,871.67
Cuba	50	5,000.00	357,009.136	12,495,319.76
Czechoslovakia	125	12,500.00	[b]41,026.288	1,435,920.08
Denmark	68	6,800.00	[b]157,677.790	5,518,722.65
Dominican Republic	5	500.00		
Ecuador	5	500.00	35,703.223	1,249,612.81
Egypt	45	4,500.00	[b]157,900.841	5,526,529.44
El Salvador	2.5	250.00	17,851.080	624,787.80
Ethiopia	6	600.00	[b]400.005	14,000.18
France	525	52,500.00	[b]2,272,212.018	79,527,420.66
Greece	40	4,000.00		
Guatemala	5	500.00	35,701.709	1,249,559.81
Honduras	2.5	250.00		
Iceland	1	100.00	7,140.008	249,900.28
India	400	40,000.00	[b]785,327.246	27,486,453.61
Iran	25	2,500.00	178,616.394	6,251,573.79
Iraq	8	800.00		
Italy	180	18,000.00		
Lebanon	4.5	450.00		
Luxembourg	10	1,000.00	[b]9,280.607	324,821.25
Mexico	90	9,000.00	642,605.861	22,491,205.14
Netherlands	275	27,500.00	1,963,500.000	68,722,500.00
Nicaragua	2	200.00	14,285.019	499,975.66
Norway	50	5,000.00	357,001.569	12,495,054.90
Panama	.5	50.00		
Paraguay	2	200.00	14,285.635	499,997.22
Peru	25	2,500.00	89,997.743	3,149,921.00
Philippines	15	1,500.00	107,101.394	3,748,548.79
Poland	125	12,500.00		
Syria	6.5	650.00		
Turkey	43	4,300.00	307,026.064	10,745,912.23
Union of South Africa	100	10,000.00	714,129.120	24,994,519.20
United Kingdom	1,300	130,000.00	[b]6,010,817.737	210,378,620.80
United States	2,750	[d]2,062,499,999.89	19,642,857.147	687,500,000.11
Uruguay	15	1,500.00		
Venezuela	15	1,500.00	107,101.199	3,748,541.96
Yugoslavia	60	6,000.00		
TOTAL	$7,721.5	$2,062,997,149.89	38,395,239.536	$1,343,833,383.76

[a] Except for the United States these represent subscriptions of 1/100 of 1% as per Article XX, Sec. 2(d) of the Articles of Agreement.

[b] Members' payments in gold of 10% of their net official holdings of gold and United States dollars as at 12 September 1946 accepted provisionally.

APPENDIX VIII (ii)—Continued
SUMMARY OF SUBSCRIPTION PAYMENTS BY MEMBERS,
As at June 30, 1947

Paid In Currency other than U.S. Dollars [d]			Unpaid Balance (Expressed in U.S. Dollars)	
Currency	Amount	U.S. Dollar Equivalent	Par Values Established	Par Values Not Established
Franc	7,395,890,625.00	$168,750,000.00		
			$9,999,000.00	
				$149,985,000.00
Dollar	225,000,000.00	225,000,000.00		
Peso	1,274,489,287.15	41,112,557.65		
				549,945,000.00
Peso	65,624,200.73	37,499,849.39		
Colon	26,225,578.11	4,670,628.33		
Peso	37,499,680.24	37,499,680.24		
Koruna	6,177,578,996.00	123,551,579.92		
Krone	299,815,481.96	62,474,477.35		
				4,999,500.00
Sucre	50,623,477.13	3,749,887.19		
Pound	9,549,714.633	39,468,970.56		
Colon	4,687,405.50	1,874,962.20		
Dollar	14,870,558.53	5,985,399.82		
Franc	53,052,511,310.80	445,420,079.34		
				39,996,000.00
Quetzal	3,749,940.19	3,749,940.19		
			2,499,750.00	
Krona	4,866,635.68	749,999.72		
Rupee	1,232,336,177.50	372,473,546.39		
Rial	604,556,120.30	18,745,926.21		
Dinar	[c]1,984,913.150	7,999,200.00		
				179,982,000.00
				4,499,550.00
Franc	423,995,070.05	9,674,178.75		
Peso	327,711,504.05	67,499,794.86		
Guilder	547,150,312.50	206,250,000.00		
Cordoba	7,499,121.67	1,499,824.34		
Krone	186,103,977.47	37,499,945.10		
Balboa	37,500.00	37,500.00	462,450.00	
Guarani	4,634,390.57	1,499,802.78		
Sol	142,009,263.53	21,847,579.00		
Peso	22,499,902.42	11,249,951.21		
				124,987,500.00
				6,499,350.00
Lira	12,049,405.73	4,303,359.19	27,946,428.58	
Pound	18,609,300.8/11	74,995,480.80		
Pound	270,345,255.7/8	1,089,491,379.20		
				14,998,500.00
Bolivar	5,024,859.42	1,499,958.04	9,750,000.00	
				59,994,000.00
		$3,128,125,437.77	$50,657,628.58	$1,135,886,400.00

[c] Payment of Iraq's total subscription in currency accepted provisionally.
[d] Includes non-negotiable, non-interest bearing demand securities substituted by Members in lieu of currency.

APPENDIX IX

ADMINISTRATIVE BUDGET

Letter of Transmittal

Dear Mr. Chairman,

Alternative administrative budgets have been approved by the Executive Directors. One extends from July 1, 1947, through June 30, 1948, for the usual twelve months. The other extends from July 1, 1947, through April 30, 1948, for the extraordinary fiscal year of only ten months which will be required to adjust to the fiscal year ending date of April 30th, if such date is approved by the Board of Governors. The budgets as approved by the Executive Directors are reported herein for the information of the Board of Governors in accordance with Section 20 of the By-Laws.

The Fund's operations are still in the period of initial development. It would be difficult to maintain that actual operating requirements will demand an expenditure of precisely $3,650,000 for a twelve month period, or $3,100,000 for a ten month period. These amounts are the Fund's best estimates of the financial needs of present administrative plans without provision for unforeseen contingencies. If such contingencies arise or present plans change materially, the amounts now budgeted may require change.

GUTT
Chairman of the Executive Board

THE RT. HON. HUGH DALTON,
Chairman of the Board of Governors,
International Monetary Fund.

ADMINISTRATIVE BUDGET
FISCAL YEAR BEGINNING JULY 1, 1947

As Approved by the Executive Directors
of the International Monetary Fund

	Ending June 30, 1948	*Ending April 30, 1948*
Personal Services	$2,301,000	$1,906,000
Contributions to Staff Benefits	238,000	208,000
Travel	211,000	175,000
Communication Services	69,000	57,000
Rents (Real Property), Utilities and Building Alterations	354,000	305,000
Books and Printing	51,000	42,000
Supplies and Equipment	202,000	188,000
Meetings of the Board of Governors	184,000	184,000
Miscellaneous	40,000	35,000
TOTAL	$3,650,000	$3,100,000

APPENDIX X

STATEMENT CONCERNING INITIAL PAR VALUES

Press Release of December 18, 1946

The International Monetary Fund will begin exchange transactions on March 1, 1947. The transactions of the Fund will be at the initial par values which have been determined in the manner laid down in the Fund Agreement. The par value of each currency is stated in the schedule below. Eight of the thirty-nine members of the Fund—Brazil, China, the Dominican Republic, Greece, Poland, Yugoslavia, France in respect of French Indo China, and the Netherlands in respect of the Netherlands Indies—have requested, in accordance with Article XX, Section 4 of the Agreement, more time for the determination of their initial par values, and the Fund has agreed. Pending the completion of certain legislative proceedings in Uruguay, the initial par value of its currency has not yet been definitely established.

This is the first time that a large number of nations have submitted their exchange rates to consideration by an international organization and thus a new phase of international monetary cooperation has begun. The major significance of the present step is not in the particular rates of exchange which are announced, but in the fact that the participating nations have now fully established a régime wherein they are pledged to promote exchange stability, to make no changes in the par values of their currencies except in accordance with the Fund Agreement, and to assist each other in attaining the general objectives of the Fund.

The initial par values are, in all cases, those which have been proposed by members, and they are based on existing rates of exchange. The acceptance of these rates is not, however, to be interpreted as a guarantee by the Fund that all the rates will remain unchanged. As the Executive Directors of the Fund stated in their First Annual Report, issued in September: "We recognize that in some cases the initial par values that are established may later be found incompatible with the maintenance of a balanced international payments position at a high level of domestic economic activity . . . When this occurs, the Fund will be faced with new problems of adjustment and will have to recognize the unusual circumstances under which the initial par values were determined. It is just at such times that the Fund can be most useful in seeing that necessary exchange adjustments are made in an orderly manner and competitive exchange depreciation is avoided."

The Fund realizes that at the present exchange rates there are substantial disparities in price and wage levels among a number of countries. In present circumstances, however, such disparities do not have the same significance as in normal times. For practically all countries, exports are being limited mainly by difficulties of production or transport, and the wide gaps which exist in some countries between the cost of needed imports and the proceeds of exports would not be appreciably narrowed by changes in their currency parities. In addition, many countries have just begun to recover from the disruption of war, and efforts to restore the productivity of their economies may be expected gradually to bring their cost structures into line with those of other countries. Furthermore, for many countries now concerned with combating inflation there is a danger that a change in the exchange rate would aggravate the internal tendencies toward inflation.

In view of all these considerations, the Fund has reached the conclusion that the proper course of action is to accept as initial par values the existing rates of exchange.

APPENDIX XI (i)

SCHEDULE OF PAR VALUES

as of June 30, 1947

CURRENCIES OF METROPOLITAN AREAS

Country	Currency	Par Values In Terms of Gold		Par Values In Terms of U.S. Dollars	
		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	Franc	0.020 276 5	1,533.96	43.827 5	2.281 67
Bolivia	Boliviano	0.021 158 8	1,470.00	42.000 0	2.380 95
Canada	Dollar	0.888 671	35.000 0	1.000 00	100.000
Chile	Peso	0.028 666 8	1,085.00	31.000 0	3.225 81
Colombia	Peso	0.507 816	61.249 5	1.749 99	57.143 3
Costa Rica	Colon	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	0.185 178	167.965	4.799 01	20.837 6
Ecuador	Sucre	0.065 827 5	472.500	13.500 0	7.407 41
Egypt	Pound	3.672 88	8.468 42	0.241 955	413.300
El Salvador	Colon	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

France	Franc	0.007 461 13	4,168.73	119.107	0.839 583
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	Krona	0.136 954	227.110	6.488 85	15.411 1
India	Rupee	0.268 601	115.798	3.308 52	30.225 0
Iran	Rial	0.027 555 7	1,128.75	32.250 0	3.100 78
Iraq	Dinar	3.581 34	8.684 86	0.248 139	403.000
Luxembourg	Franc	0.020 276 5	1,533.96	43.827 5	2.281 67
Mexico	Peso	0.183 042	169.925	4.855 00	20.597 3
Netherlands	Guilder	0.334 987	92.849 8	2.652 85	37.695 3
Nicaragua	Cordoba	0.177 734	175.000	5.000 00	20.000 0
Norway	Krone	0.179 067	173.697	4.962 78	20.150 0
Panama	Balboa	0.888 671	35.000 0	1.000 00	100.000
Paraguay	Guarani	0.287 595	108.150	3.090 00	32.362 5
Peru	Sol	0.136 719	227.500	6.500 00	15.384 6
Philippine Republic	Peso	0.444 335	70.000 0	2.000 00	50.000 0
Turkey	Lira	0.317 382	98.000 0	2.800 00	35.714 3
Union of South Africa	Pound	3.581 34	8.684 86 (or 173 shillings 8.367 pence)	0.248 139 (or 4 shillings 11.553 pence)	403.000
United Kingdom	Pound	3.581 34	8.684 86 (or 173 shillings 8.367 pence)	0.248 139 (or 4 shillings 11.553 pence)	403.000
United States	Dollar	0.888 671	35.000 0	1.000 00	100.000
Venezuela	Bolivar	0.265 275	117.250	3.350 00	29.850 7

APPENDIX XI (ii)
SCHEDULE OF PAR VALUES
as of June 30, 1947
CURRENCIES OF NON-METROPOLITAN AREAS

Member and Non-Metropolitan Areas	Currency and Relation to Metropolitan Unit	Par Values In Terms of Gold		Par Values in Terms of U.S. Dollars	
		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)	0.020 276 5	1,533.96	43.827 5	2.281 67
France					
Algeria Morocco Tunisia French Antilles French Guiana	Franc (Parity with French franc)	0.007 461 13	4,168.73	119.107	0.839 583
French West Africa French Equatorial Africa Togoland Cameroons French Somaliland Madagascar and dependencies Reunion St. Pierre and Miquelon	CFA Franc (=1.70 French francs)	0.012 683 9	2,452.20	70.062 8	1.427 29

New Caledonia New Hebrides French possessions of Oceania	CFP Franc (= 2.40 French francs)	0.017 906 7	1,736.97	49.627 8	2.015 00
French possessions in India	Rupee (= 36 French francs)	0.268 601	115.798	3.308 52	30.225 0
Netherlands					
Surinam and Curacao	Guilder (=1.406 71 Netherlands guilders)	0.471 230	66.004 9	1.885 85	53.026 4
United Kingdom					
Gambia Gold Coast Nigeria Sierra Leone	West African Pound (Parity with sterling)				
Southern Rhodesia	Southern Rhodesian Pound (Parity)				
Northern Rhodesia Nyasaland		3.581 34	8.684 86	0.248 139	403.000
Palestine	Palestinian Pound (Parity)				
Cyprus	Cyprus Pound (Parity)				
Gibraltar	Gibraltar Pound (Parity)				
Malta	Maltese Pound (Parity)				
Bahamas	Bahamas Pound (Parity)				
Bermuda	Bermuda Pound (Parity)				
Jamaica	Jamaican Pound (Parity)				
Falkland Islands	Falkland Islands Pound (Parity)				

APPENDIX XI (ii) Continued

CURRENCIES OF NON-METROPOLITAN AREA

Member and Non-Metropolitan Areas	Currency and Relation to Metropolitan Unit	Par Values In Terms of Gold		Par Values in Terms of U.S. Dollars	
		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
United Kingdom (continued)					
Kenya Uganda Tanganyika Zanzibar	East African Shilling (20 per pound sterling)	0.179 067	173.697	4.962 78	20.150 0
Barbados Trinidad British Guiana	British West Indian Dollar (4.80 per pound sterling)	0.746 113	41.687	1.191 07	83.958 3
British Honduras	British Honduras Dollar (4.03 per pound sterling)	0.888 671	35.000 0	1.000 00	100.000
Ceylon Mauritius Seychelles	Cingalese Rupee (13 1/3 per pound sterl'g) Mauritius Rupee (13 1/3 per pound sterl'g) Seychelles Rupee (13 1/3 per pound sterl'g)	0.268 601	115.798	3.308 52	30.225 0

United Kingdom (continued)					
Fiji	Fijian Pound (1.11 per pound sterling)	3.226 44	9.640 20	0.275 434	363.063
Tonga	Tongan Pound (1.2525 per pound sterl'g)	2.859 36	10.877 8	0.310 794	321.756
Burma	Burmese Rupee (13 1/3 per pound sterl'g)	0.268 601	115.798	3.308 52	30.225 0
Hong Kong	Hong Kong Dollar (16 per pound sterling)	0.223 834	138.958	3.970 22	25.187 5
Malaya (Singapore and Malayan Union)	Malayan Dollar (8.571 428 57 per pound sterling, or 2 shillings 4 pence per Malayan Dollar)				
Sarawak British North Borneo	The Sarawak and British North Borneo Dollars which circulate alongside the Malayan Dollar (which is legal tender) have the same value	0.417 823	74.441 7	2.126 91	47.016 7

APPENDIX XII

TRANSACTIONS IN GOLD AT PREMIUM PRICES

The following statement was communicated by the Fund to all members in a letter of June 18, 1947:

"The International Monetary Fund has given consideration to the international gold transactions at prices substantially above monetary parity which have been taking place in various areas of the world. Because of the importance of this matter the Fund has prepared this statement of its views.

"A primary purpose of the Fund is world exchange stability and it is the considered opinion of the Fund that exchange stability may be undermined by continued and increasing external purchases and sales of gold at prices which directly or indirectly produce exchange transactions at depreciated rates. From information at its disposal, the Fund believes that unless discouraged this practice is likely to become extensive, which would fundamentally disturb the exchange relationships among the members of the Fund. Moreover, these transactions involve a loss to monetary reserves, since much of the gold goes into private hoards rather than into central holdings. For these reasons, the Fund strongly deprecates international transactions in gold at premium prices and recommends that all of its members take effective action to prevent such transactions in gold with other countries or with the nationals of other countries.

"It is realized that some of these transactions are being conducted by or through non-member countries or their nationals. The Fund recommends that members make any representations which, in their judgment, are warranted by the circumstances to the governments of non-member countries to join with them in eliminating this source of exchange instability.

"The Fund has not overlooked the problems arising in connection with domestic transactions in gold at prices above parity. The conclusion was reached that the Fund would not object at this time to such transactions unless they have the effect of establishing new rates of exchange or undermining existing rates of other members, or unless they result in a significant weakening of the international financial position of a member which might affect its utilization of the Fund's resources.

"The Fund has requested its members to take action as promptly as possible to put into effect the recommendations contained in this statement."

APPENDIX XIII

STATEMENT ON EXCHANGE ARRANGEMENTS IN ECUADOR

Press Release of June 6, 1947

The Government of Ecuador has consulted with the International Monetary Fund on the urgent need to conserve the foreign exchange resources of Ecuador; and it has proposed to introduce a new method of allocating exchange to be exercised temporarily during the post-war transition period.

Under this proposal, foreign exchange will be made available by the Central Bank of Ecuador at the present selling rate of 15.04 sucres to the dollar to pay for all imports of essential and semi-essential goods. Importers of essential goods will secure the exchange they require without additional charge. Importers of semi-essential goods will pay a surcharge of 5 sucres per dollar. Importers of luxury goods will be permitted to purchase exchange only in the free market from funds made available through certain capital imports and tourist expenditures. In addition, they will pay a surcharge of 5 sucres per dollar. The surcharge receipts will be used by the Central Bank of Ecuador to reduce the present inflated volume of currency and credit.

In presenting this proposal the Government of Ecuador has emphasized that it is a temporary and emergency measure within the framework of a wider program. It is the intention of the Government of Ecuador to continue this method of exchange allocation only until Ecuador's balance of payments can be readjusted to permit the restoration of a system under which exchange can be made freely available to pay for all current transactions at a single, uniform rate, without surcharges. To facilitate such a readjustment, the Government of Ecuador is taking steps to readjust prices and costs, to institute a comprehensive reform of monetary and credit policy, and to strengthen the economy as a whole. A technical mission from the Fund is now in Ecuador for the purpose of studying these matters.

The Fund will not object to the temporary use by Ecuador of this emergency measure for allocating exchange. The measure is to remain in force for a period of two years or less. From time to time within the next eighteen months, the Government of Ecuador and the Fund will consult on the possibility of modifying or eliminating the emergency exchange allocation measure.

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