INTERNATIONAL MONETARY FUND

ANNUAL REPORT 1951

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INTERNATIONAL MONETARY FUND

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Deputy Managing Director

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[1] Mr. Rooth is expected to assume his duties in August 1951.

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LETTER OF TRANSMITTAL
TO THE BOARD OF GOVERNORS

July 12, 1951

My dear Mr. Chairman:

In accordance with Section 10 of the By-Laws of the International Monetary Fund, I have the honor to present to the Board of Governors the Annual Report of the Executive Directors for the fiscal year ended April 30, 1951.

Yours sincerely,

/s/

A. N. OVERBY

Acting Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

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I

THE WORLD ECONOMIC SITUATION

A. The Payments Problem and the World Economy

THE year 1950 was the first postwar year in which progress towards general balance of payments equilibrium appeared to bring that objective within sight. Many countries outside the United States increased their dollar holdings and were able to make net purchases of gold from the United States. Generally speaking, the world's payments are now much closer to balance than they were two or three years ago.

This favorable trend became particularly evident after the devaluations of September 1949. In the middle of 1950 the outbreak of hostilities in Korea initiated a series of new trends affecting the size and the composition of production and the quantities and prices of world trade. These events have further strengthened the balances of payments of many countries, but a new set of problems, the full implications of which have yet to be realized, was injected into the world economy. In order to see these new events, and their effects on countries' balances of payments, in proper perspective it is appropriate to survey briefly the process of postwar recovery up to the middle of 1950, to examine its more significant general tendencies, and to draw attention to the considerable advance towards a better balance made during that period.

The record of the balance of payments of the United States (see Table I) shows clearly the great improvement that has taken place during recent years in its payments relations with the rest of the world. The full effects of the widespread recovery of production, in which postwar investment played an important part, could be realized only gradually, but by 1950 the abnormal demands, which had raised U.S. exports to peak levels in 1947 and 1948, had to a considerable extent subsided. U. S. Government grants and loans, which throughout the period were an important factor in permitting large purchases of U. S.

TABLE I. U. S. GLOBAL BALANCE OF PAYMENTS, 1946—FIRST HALF 1950

(billions of U. S. dollars)

	1946	1947	1948	1949	1950 First Half[1]
Exports	11.7	16.0	13.3	12.3	10.1
Imports	—5.2	—6.1	—7.8	—7.1	—7.9
Trade balance	6.5	9.9	5.5	5.2	2.2
Services and private donations (net)	0.6	0.9	0.5	0.7	0.4
Total goods, services and private donations	7.1	10.8	6.0	5.9	2.6
Private capital (net) [2]	—0.2	—	0.1	0.2	—0.1
Special official loans and grants (net) [3]	0.1	0.1	0.1	—0.5	—0.2
Total surplus or deficit (—)	7.0	10.9	6.2	5.6	2.3
Compensatory loans and grants [4]	5.4	6.6	5.6	5.6	4.3
Inflow or outflow (—) of gold and dollars[5]	1.6	4.3	0.6	—	—2.0
Total	7.0	10.9	6.2	5.6	2.3

Source: International Monetary Fund, *Balance of Payments Yearbook*, 1949-1950 and U. S. Department of Commerce.

[1] Annual rate. Preliminary data. Quarterly data through the first quarter of 1951 are shown in Table X.

[2] Including errors and omissions, which are believed to represent mainly unrecorded private capital movements.

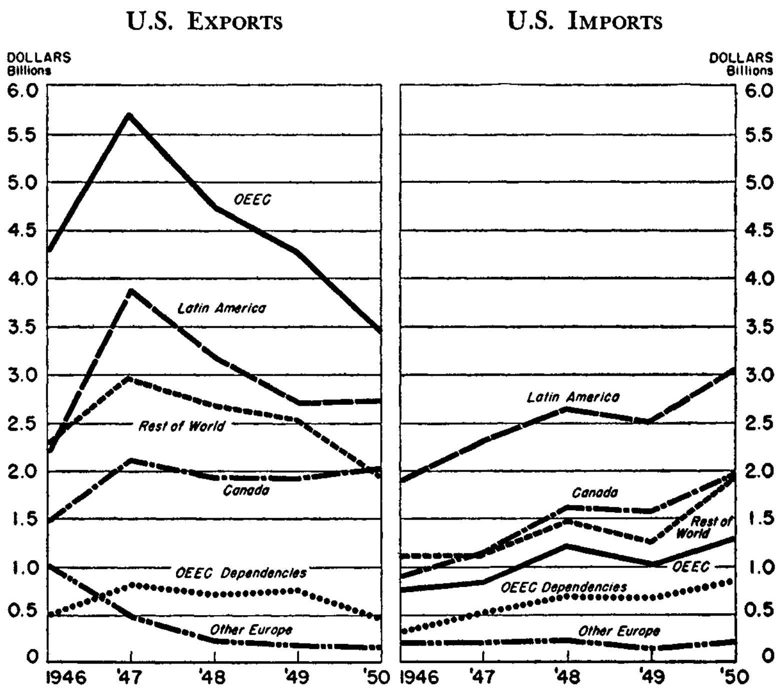
[3] Developmental loans, military aid, settlements of claims, loan repayments, etc.

[4] Extended by the U.S. Government and by international institutions to foreign countries to cover their dollar deficits.

[5] Foreign official and private short-term dollar balances, and, in 1950, net foreign purchases of U.S. Government long-term securities, reflecting mainly purchases by foreign official institutions. Such purchases in the earlier years are not available separately from purchases of other U.S. long-term securities; they were, however, considerably smaller at that time than in 1950.

goods, were still however very large throughout 1950. Though during the year policies of restriction and discrimination were substantially relaxed, they were still widely practiced; trade statistics therefore underestimate the magnitude of the real demand for imports, and hence the extent to which the pressure for dollars has been relieved. The regional distribution of U. S. trade since the war is shown in Chart I.

CHART I



Europe

By 1950 the payments position of most European countries showed a great improvement, both with the rest of the world as a whole and more particularly with the United States (see Tables II and III). For the members of the Organization for European Economic Cooperation (OEEC) a dollar deficit of

$7.5 billion in 1947 was reduced to an annual rate of $2.0 billion in the first half of 1950, as a result of smaller imports, less need for dollars to pay other areas, an improvement in the services balance, and a small increase in exports. Indeed, since the fourth quarter of 1949, several European countries were able again to build up their gold and dollar reserves.

The lack of balance in Europe's payments constituted the major postwar disequilibrium in the international pattern of payments. The marked reduction in this imbalance constitutes a major achievement in the history of postwar recovery. It is of particular importance, therefore, to survey briefly some of the main factors responsible for it.

TABLE II. EUROPE'S GLOBAL BALANCE OF PAYMENTS,[1] 1947-50

(billions of U. S. dollars)

	1947	1948	1949	1950[2]
Exports	6.4	8.8	9.4	9.6
Imports	—13.7	—14.4	—13.5	—12.5
Trade balance	—7.3	—5.6	—4.1	—2.9
Services (net)	—0.1	0.7	0.3	0.4
Private donations (net)	0.4	0.3	0.3	0.2
Total goods, services and private donations	—7.0	—4.6	—3.5	—2.3
Private capital and special official financing (net)	—1.5	—0.4	—0.7	—
Errors and omissions (net)	—0.3	—0.3	0.5	0.4
Total surplus or deficit (—)	—8.8	—5.3	—3.7	—1.9
Compensatory official financing				
Grants and loans received (net)	5.7	4.9	4.4	2.9
Aid from international institutions (net)	1.2	0.3	—	—
Use (—) or accumulation of sterling balances by non-European countries	—0.6	—0.1	—0.5	0.9
Use or accumulation (—) of gold and U. S. dollar balances by Europe	2.5	0.2	—0.2	—1.9
Total	8.8	5.3	3.7	1.9

Source: International Monetary Fund, *Balance of Payments Yearbooks*, 1948-49 and 1949-50.
[1] Total Europe, including trade but not other transactions of U.S.S.R.
[2] Preliminary. Complete data for the first half of 1950 are not available separately.

The improvements shown in balances of payments have been associated in Europe with persistent increases in output and real national income. Output increased considerably more than the decline in the net resources obtained from abroad, thus permitting increases in personal consumption and the maintenance of a high rate of capital formation while balance of payments deficits were being eliminated or reduced.

TABLE III. BALANCE OF PAYMENTS OF MEMBERS OF OEEC WITH UNITED STATES, 1947 AND FIRST HALF 1950

(billions of U. S. dollars)

	1947	First Half 1950[1]	Change
Exports	0.8	1.0	0.2
Imports	—5.7	—3.3	2.4
Trade balance	—4.9	—2.3	2.6
Services and private donations (net)	—0.1	0.5	0.6
Total goods, services and private donations	—5.0	—1.8	3.2
Private capital (net)	0.3	0.3	—
Dollars used for settlement with other areas[2]	—2.8	—0.4	2.4
Total	—7.5	—1.9	5.6
Official grants and loans (net)[3]	5.2	3.6	—1.6
Inflow (—) or outflow of gold and dollars[4]	2.3	—1.7	—4.0
Total	7.5	1.9	—5.6

Source: U.S. Department of Commerce.

[1] Annual rate.
[2] Including errors and omissions.
[3] Received from U.S. Government and international institutions.
[4] Foreign official and private short-term dollar balances and, in first half of 1950, net foreign purchases of U.S. Government long-term securities (annual rate of $0.1 million), reflecting mainly purchases by foreign official institutions. Such purchases (or sales) for 1947 are not available separately from purchases of other U.S. long-term securities.

It was not possible, however, to bring payments into balance merely by increases in the volume of output in general. The great need for imports in Europe after the war was due not only to a shortage of resources in general, but more particularly to acute shortages of certain goods of the highest degree of essentiality. Consumers' goods, such as wheat, fats and meat, and industrial goods, such as coal and steel, were among the most critical; heavy imports of these materials, often at high prices, would have been necessary even if total national income as shown by the statistics had apparently been satisfactory.

Much of the improvement in balances of payments has been the result of increased production of these critical materials. The improvement was most striking in countries that were normally exporters of, or nearly self-sufficient in these commodities, but where postwar deficiencies had increased import needs. France, for instance, normally approximately self-sufficient in wheat and meat, was a heavy importer of these foods in the years 1946 through 1948; in 1949, however, it became a net exporter of meat and in 1950 of wheat. Similarly, increased output enabled Belgium to become a net exporter of coal in 1949 and of sugar in the 1949–50 crop year. A pattern of recovery of production, reduction of imports, the resumption of exports, accompanied by a steady increase in domestic consumption, could be observed generally in Europe for several major international commodities.

Most of these critical materials could be obtained only in the Western Hemisphere, and a large proportion actually were secured from the United States. To that extent the so-called "dollar shortage" was directly connected with the shortage of critical materials. The effects of the improved supply situation in Europe on certain dollar import needs are illustrated in Table IV.

The abnormal reliance on U.S. imports which characterized the reconstruction period has now been considerably reduced and provided reasonable success is achieved in increasing European exports to the United States, in the creation of surpluses with third areas, and in attracting adequate and sustainable flows of capital from the United States to Europe, there should not be much further decrease, but rather an increase, in

TABLE IV. EXPORTS FROM UNITED STATES TO MEMBERS OF OEEC, 1947 AND 1950

(millions of U.S. dollars)

	1947	1950	Reduction
Grain and preparations	1,086	448	638
Meat products	109	14	95
Coal	334	8	326
Steel mill products	205	96	109
	1,734	566	1,168
All other commodities	3,487	2,198	1,289
Total	5,221[1]	2,764[1]	2,457[1]

Source: U.S. Department of Commerce, Bureau of the Census.

[1] These totals are lower than those shown for imports from the United States in Table III, as the latter include also surplus property and similar goods not covered by trade statistics.

U.S. exports to Europe. Progress in this direction will be determined not only by the efforts of European countries, but also by the extent to which countries in the dollar area adopt appropriate tariff policies.

The improvement of Europe's payments position vis-à-vis countries outside the dollar area was achieved not primarily by cutting imports, but rather by a rapid increase in exports, imports also generally increasing, though at a slower rate. Between 1947 and 1950, the volume of exports trebled in the Netherlands, doubled in Italy and France, and increased by fifty per cent or more in the Scandinavian countries and the United Kingdom. These improvements were made possible by increased output and by a decrease of inflationary pressures. The increase in output helped to create the economic conditions in which more effective monetary and fiscal policies became possible. But deliberate, often unpopular, government measures were required to take advantage of improved economic conditions to put the necessary financial policies into effect.

When the postwar period is viewed as a whole, substantial advances toward monetary stability are evident. The budget position has greatly improved. The latent inflation carried over from the war years was, it appears, generally eliminated by the middle of 1950, as a result of the early postwar monetary purges, of budgetary surpluses in some countries, and of postwar price increases. This indication of an approach toward monetary stability is confirmed by other facts. In many countries internal rationing was abolished, or its scope greatly reduced, though it continued to be important in the United Kingdom, Norway, and Yugoslavia. Price controls were either abolished or greatly relaxed. In 1949, prices tended down rather than up, and despite the devaluations, they rose only a little, if at all, in the first half of 1950. Such inflationary problems as presented themselves in Europe in the first half of 1950 were increasingly the results of policies and factors peculiar to individual countries, rather than of a general postwar situation affecting the continent as a whole.

The development of intra-European trade has been an important element in the recent evolution of Europe's balance of payments with the outside world. On the one hand, it has not for the most part been found possible to rebuild the trading connections between Eastern and Western Europe. Already in 1948 the volume of East-West European trade was less than half what it had been before the war, and by 1950, Western European trade with the U.S.S.R. and the five Eastern European countries associated with it had declined still further. The volume of trade among the OEEC countries, on the other hand, increased from two thirds of prewar volume in 1947 to 117 per cent of prewar in the second quarter and 140 per cent in the last quarter of 1950. As production expanded, this increase was also made possible in part by the policy of trade liberalization sponsored by the OEEC, and by the facilities for intra-European credit and for currency transferability created by the establishment of the European Payments Union (EPU) in the summer of 1950.

As a result of changes in economic conditions and policies, the pattern of intra-European debtor and creditor positions has indeed undergone considerable change in the past two years. The United Kingdom, with the rest of the sterling area, which had tended towards a deficit position in 1949 in its payments relations with the EPU countries as a whole, partly as a result of the sharp increase in the prices of raw materials produced in the overseas sterling area, developed a considerable surplus in its European payments position. France, Belgium, and Portugal have also had substantial surpluses. Western Germany, on the other hand, developed a large deficit, part of which was financed by a special credit. Restrictive fiscal and monetary policies, as well as administrative import cuts, were also applied in order to restore Germany's position. The Netherlands, Denmark, and Austria have also had considerable deficits in their European trade.

Latin America

The Latin American countries as a group have also improved their payments position in the postwar period. In 1950 the balance of payments of the area showed an over-all surplus tentatively estimated at $300 million, as compared with a deficit of $500 million in 1947 (see Tables V and VI). The pronounced recovery of exports in 1950, when total exports increased by about $900 million over the preceding year (exports to the United States alone accounted for $570 million of this increase), was in some measure due to improved production and export volume. Very largely, however, it was a result of the sharp price increases for Latin American primary products. The price of coffee rose sharply in the fall of 1949, while some other price increases became particularly marked following the outbreak of hostilities in Korea.

There has also been a noticeable shift in the sources of Latin American import supply. In the immediate postwar period,

TABLE V. LATIN AMERICA'S GLOBAL BALANCE OF PAYMENTS, 1947–50

(billions of U.S. dollars)

	1947	1948	1949	1950[1]
Exports	5.4	6.0	5.1	6.0
Imports	—5.0	—4.9	—4.5	—4.4
Trade balance	0.4	1.1	0.6	1.6
Services (net)	—1.1	—1.2	—0.9	—1.2
Total goods and services	—0.7	—0.1	—0.3	0.4
Private capital and special official financing (net)	0.5	0.4	0.5	—
Errors and omissions (net)	—0.3	—0.2	—0.1	—0.1
Surplus or deficit (—)[2]	—0.5	0.1	0.1	0.3

Source: International Monetary Fund, *Balance of Payments Yearbook*, 1949-50 and data reported to International Monetary Fund.

[1] Preliminary.
[2] As measured by compensatory official financing, i.e., movements in gold reserves and dollar holdings, repurchases of foreign debt, certain credits received from or granted to other countries, and other financing operations designed primarily to balance the accounts.

TABLE VI. LATIN AMERICA'S TRADE AND SERVICES ACCOUNT, 1947 and 1950

(billions of U. S. dollars)

	With United States		With Europe		With All Other		Total	
	1947	1950	1947	1950	1947	1950	1947	1950
Exports	2.3	3.1	2.1	1.8	1.0	1.1	5.4	6.0
Imports	—3.7	—2.7	—1.0	—1.3	—0.3	—0.4	—5.0	—4.4
Trade balance	—1.4	0.4	1.1	0.5	0.7	0.7	0.4	1.6
Services (net)	—0.7	—0.7	—0.4	—0.5	—	—	—1.1	—1.2
Total	—2.1	—0.3	0.7	—	0.7	0.7	—0.7	0.4

Source: Table V and data reported to International Monetary Fund.

Latin America had to rely mainly on imports from the United States, but by 1950 European goods had become more readily available. Imports have declined from their postwar high, but the reduction was confined to trade with the United States and imports from other areas increased. Nonetheless Europe's share in Latin America's imports, which had been about 50 per cent prior to the war, had recovered to only about 30 per cent in 1950.

There has also been a significant shift in the regional distribution of Latin American exports, sales to the United States increasing while they declined to other areas. This development has been accentuated since the end of the war, partly because some exporting countries found it necessary to maximize dollar earnings, and partly as a result of intensified import restrictions in Europe. While in 1938 the United States had absorbed about 31 per cent of Latin American exports, the proportion rose to 43 per cent by 1947, 48 per cent in 1949, and 50 per cent in 1950. Exports to Europe, which accounted for roughly 50 per cent of all Latin American exports in 1938, declined to 39 per cent in 1947, to 31 per cent in 1949, and to 30 per cent in 1950.

Programs of development have occupied an important place in the postwar economic policy of practically every Latin American country. Some progress has been made in this field, but the scale of operations has not yet been such as to cause any radical change in Latin America's balance of payments position. Increasing attention has been given to the problem of the more effective mobilization of domestic capital markets, and, where credit expansion has been made an important instrument for increasing the supply of capital and thus accelerating the rate of development, to the problems of inflationary pressure which such a policy often implies. If development is to proceed at anything more than a very modest pace, there must, however, be a considerable influx of foreign capital into the underdeveloped areas.

Other Regions

Canada's surplus on goods and services with non-U.S. countries of about $800 million in 1949 nearly disappeared in 1950, largely through a decrease in exports of nearly $400 million and a rise in imports of more than $200 million. Trade with the sterling area was responsible for a large part of these changes.

The elimination of the surplus was accompanied by a decline in net gold and U.S. dollar receipts from countries other than the United States, from $674 million in 1949 to $138 million in 1950. Canada's global balance on goods and services shifted from a surplus of nearly $200 million in 1949 to a deficit of $300 million in 1950. This change, however, was much more than offset by the large capital inflow from the United States of about $1 billion. This inflow was largely concentrated in the third quarter of the year in anticipation of an appreciation of the Canadian dollar. (All figures in this paragraph are in Canadian dollars.)

In many parts of the Far East there has been a substantial recovery in production since the end of the war. Important basic production problems, however, remain to be solved, and the output of certain export commodities, such as rice in Burma and Indo-China, tea in Indonesia, and tin in the three major exporting countries in the area, is still well below prewar levels. (See Table VII.)

There has, however, been an improvement in the balance of payments of the majority of countries, which was particularly noticeable in 1950. During the year the exchange holdings of Ceylon, Japan, and Thailand increased. In India, the substantial payments deficits of previous years were converted into a surplus. The factors contributing to these changes varied from country to country. The amelioration of Japan's payments position was due primarily to the recovery of production. The improvements in the trade balances of Ceylon, India, Indonesia, Pakistan, the Philippines, and Thailand, were mainly due to increasing world demand and higher prices for their products, as well as, in some countries, to the 1949 devaluations, and, in the Philippines in particular, to restrictions.

The further development of its natural resources is also of crucial importance for the whole of the Far East and the Middle

East, where nearly everywhere the average level of production is extremely low.

TABLE VII. PRODUCTION OF IMPORTANT EXPORT COMMODITIES IN CERTAIN FAR EASTERN COUNTRIES

		Prewar[1]	1949/50	1950/51
Rice (millions of metric tons)	Burma	7.1	5.2	5.2
	Indo-China	6.5	5.5	5.0
	Thailand	4.4	6.1	6.1
Tea (thousands of metric tons)	India	188	264	274
	Pakistan		21	23
	Ceylon	104	135	136
	Indonesia	74.8	27	34
			1950 (Annual Rate)	
		Prewar[1]	First Half	Second Half
Tin (thousands of metric tons)	Malaya	78	59	58
	Indonesia	38	32	33
	Thailand	16	9	12
Rubber (thousands of metric tons)	Malaya	510	655	778
	Indonesia	458	597	799
	Ceylon	72	100	132

Sources: United Nations, *Monthly Bulletin of Statistics*, F.A.O. and U.S. Department of Agriculture.

[1] Rice, 1935/36 to 1939/40 average; tea, 1934-38 average, tin and rubber, 1937.

The Devaluations of September 1949 [1]

One important factor affecting balances of payments and in particular the world dollar position in 1950 was the devaluations of September 1949. Last year's Annual Report gave an account of the first effects of these devaluations. The numerous other far-reaching changes in the world economic situation and in national policies which have occurred since that time make it

[1] In this section the trade data recorded in customs statistics have been used. These do not include certain governmental purchases—for stockpiling, military use, etc.—for which adjustment is made in the balance of payments statistics quoted in other sections of this report, but which may be assumed to be determined primarily by extra-economic factors.

difficult to appraise their effects for 1950 as a whole. The changes in trade movements which are relevant in this connection are the result, first of the increased ability of the devaluing countries to earn dollars by increased exports to the United States and other dollar countries, and second of their increased ability to save dollars by reducing dollar imports.

In the first half of 1950 the value of U.S. imports from OEEC Europe as a whole rose to $482 million. This was $43 million, or 11 per cent, greater than in the first half of 1949 (before the devaluation), and $20 million greater than in the first half of 1948. For the Western European countries that devalued their currencies by 20 per cent or more, the increase between the first half of 1949 and the comparable period of 1950 was $40 million, or 16 per cent. Part of these increases in the first half of 1950 were, however, attributable to improved business conditions in the United States. There was a further sharp rise in U.S. imports from Europe after the outbreak of the Korean war, which affected generally both the countries that had devalued and those that had not (or had devalued only a little).

The effects of the devaluations appear more clearly in Europe's exports to the rest of the Western Hemisphere (excluding Argentina, whose trade with many European countries was disrupted pending the conclusion of protracted negotiations). These exports from the nine major Western European countries were $280 million higher in 1950 than they had been in 1949, while U.S. exports to this region declined by $100 million. Moreover, while from countries with substantial devaluations these exports increased by about $250 million (or 25 per cent), the exports of Belgium, Italy, and Switzerland increased by $30 million (or 11 per cent).

The effects of devaluation on the imports of the devaluing countries cannot be found exclusively in the record of import statistics. Where import controls had kept dollar imports below what the public was willing to buy at the official rate of exchange, it was to be expected that devaluation, by raising the price of dollar goods in terms of domestic currency, would eliminate part of the demand thus kept in check, and would thus lessen the pressure on the controls, and reduce the need for them. Actually, the imports of OEEC Europe from the United States declined sharply, from $4.1 billion in 1949 to $2.8 billion in 1950, or by about 30 per cent. One important cause was the improvement in the European supply situation for basic materials to which reference has been made above. Intensification of dollar import restrictions contributed to the decline of U.K. imports, but this factor was probably not significant for most other European countries whose imports from the United States nonetheless fell sharply.

The devaluation of sterling, and of the currencies of most other sterling area countries, would by itself have tended to lower the dollar prices of the raw materials exported by those countries to the United States and Canada. In fact, however, the increase in U.S. demand in 1950 actually raised the dollar prices of such commodities as cocoa, burlap, wool, and rubber above their predevaluation levels, and as U.S. imports of these commodities also increased in volume, the total value of exports to the United States and Canada from the outer sterling area increased by 35 per cent, from $1.1 billion in 1949 to nearly $1.5 billion in 1950.

The imports of the sterling area outside the United Kingdom from the United States and Canada were reduced by 36 per cent, from $1.4 billion in 1949 to $0.9 billion in 1950. The decline was caused, in large part, by the measures taken in the sterling area in accordance with the agreement of July 1949 to reduce imports from the dollar area, but the effects of these measures were reinforced by the increase in prices of dollar imports consequent upon the devaluations.

The devaluations also achieved the objective of stemming and reversing the outflow of capital that had been taking place as a result of anticipations of and delays in current payments to and from the United Kingdom and other countries, despite rigid controls on capital movements. Perhaps more important, the devaluations restored the confidence in European currencies that had been lacking since the end of the war and thus reduced the desire to circumvent capital controls.

Changes in International Reserves Positions

These balance of payments developments have caused important changes in international reserves. The tendency for U.S. gold holdings to increase was reversed in the last quarter of 1949; they declined from $24.7 billion in September 1949 to $24.3 billion in June 1950, and $21.9 billion in March 1951. The dollar holdings of other countries increased by $1 billion during the first half of this period and by a further $800 million in the second half. When account is also taken of accretions to reserves from newly-mined gold, the gold and dollar reserves of countries other than the United States increased by around $5 billion in the eighteen-month period. The share of the United States in the world's total monetary stock of gold (outside the U.S.S.R.) fell from nearly 70 per cent in 1948 to about 60 per cent in March 1951; however, it was still greater than the 1937-38 average of 52 per cent.

The increase in gold and dollar holdings in 1950 was widespread, with only a few countries showing a decline. As is shown in Table VIII, the largest increases, both absolute and relative, were in the sterling area as a whole and in Canada. In Continental Europe and Latin America, the increases were much smaller proportionately. In appraising the significance of the increases in reserves over the past eighteen months, the general rise of prices in international trade during the same period, which has tended to reduce their purchasing power, should be borne in mind.

TABLE VIII. ESTIMATED GOLD AND DOLLAR HOLDINGS OUTSIDE THE UNITED STATES, END OF YEAR 1949 AND 1950

(millions of U.S. dollars)

	1949			1950			Increase	
	Gold	Dollars[1]	Total	Gold	Dollars[1]	Total	Total	Per Cent
Continental OEEC countries	4,075	1,925	6,000	4,274	2,338	6,612	612	10
Sterling Area	1,882	806	2,688	3,503	914[3]	4,417	1,729[3]	64
Canada	496	869	1,365	590	1,399	1,989	624	46
Latin America	1,655	1,401	3,056	1,880	1,582	3,462	406	13
Asia	742	771	1,513	692	1,190	1,882	369	24
All other countries[2]	545	193	738	575	190	765	27	4
Total	9,395	5,965	15,360	11,514	7,613[3]	19,127	3,767[3]	25

Source: *Federal Reserve Bulletin,* March 1951.

[1] Dollar holdings include private and official balances as well as holdings of U.S. Government securities with original maturities of up to 20 months.
[2] Largely Eastern Europe, but not including U.S.S.R. gold holdings.
[3] Part of the increase in sterling area and in total dollar holdings reflects the inclusion of private U.K. balances reported for the first time in 1950.

Postwar changes in sterling balances (see Table IX) also reflect important changes in balance of payments positions. The sterling holdings of countries outside the sterling area have substantially declined since the end of 1946, while those of sterling area countries in general have increased to roughly the same extent.

TABLE IX. ESTIMATED STERLING BALANCES, END OF YEAR 1946–50

(millions of £ sterling)

	1946	1947	1948	1949	1950
Countries outside the Sterling Area	1,304	1,309	1,063	1,073	1,023
Sterling Area:					
Dependent Territories	495	502	554	583	752
Other Members	1,922	1,786	1,807	1,769	1,982
Total	3,721	3,597	3,424	3,425	3,757

Source: *U.K. Balance of Payments, 1946-1950,* No. 2, Cmd. 8201.

Conclusion

In the foregoing survey of postwar international payments relations, little has been said about the short-run disturbing elements, such as harvest failures, the abnormal winter of 1947, the recession in the United States in 1949, abnormal short-term capital movements, and other factors of a similar kind, which at particular times naturally attracted much attention. In retrospect the striking fact is that these special factors, important as they were, were merely interruptions of a general postwar trend toward recovery in the volume of world production and trade and substantial improvement in the international payments position, in which nearly all countries shared.

While the favorable trends deserve to be emphasized, the still persistent difficulties of individual countries should not be overlooked; serious dollar problems have continued in some countries and shortages of other currencies have emerged elsewhere.

In the second half of 1950 there were further far-reaching changes in payments relations initiated by the consequences of the outbreak of hostilities in Korea, and preparations for extensive rearmament programs. Sharp increases in demand have produced raw material shortages and sharp changes in the terms of trade of many countries. The more important aspects of this situation will be further examined below.

B. Rearmament and Inflation

While notable progress had been made by the middle of 1950 toward getting the war and postwar inflationary forces under control, the monetary situation at that time was still generally uneasy, with tendencies toward inflation tending to outweigh tendencies toward deflation. In such a situation the outbreak of hostilities in Korea gave a sharp impetus to the rearmament programs of the Western countries, and raised fresh inflationary problems since something close to full employment had been realized in many countries.

The immediate impact of the events of mid-1950 upon demand —and hence on business activity and more strongly on prices— was the result of anticipations of increased government spending and of shortages and higher prices. On account of the liquidity both of the public and of the banking system in many countries, the monetary restraints which might otherwise have kept this sudden outburst of additional demand in check were inadequate. Speculative buying in many countries accentuated raw material shortages, and as their prices rose sharply, a further impetus was given to the building up of inventories.

The increases in the prices of raw materials and foodstuffs at once placed strong upward pressure on the general level of prices in both exporting and importing countries. In the former the rising incomes of producers increased the demand for domestic goods and services, as well as for imports. While higher prices for exports increase the exporting countries' foreign exchange earnings and raise real income, they are a threat to domestic price and wage stability and may lower the real income of important groups. In the importing countries, on the other hand, the rising costs of raw material and foodstuffs imports tend to lower real income; and to the extent that wage adjustments to cost of living increases are made, upward pressure on the internal price and wage level is generated. Direct government rearmament expenditure has only gradually been making a more sustained demand effective. Even in the United States, where among Fund members the planned expansion of military expenditures is largest, government expenditure in the second half of 1950 was no greater than in the first half of the year. For the year that lies ahead, however, military expenditures will show sharp increases.

In the United States, wholesale prices, which had fallen by 7 per cent in 1949 and then risen by 4 per cent in the first half of 1950, increased by 12 per cent in the second half of that year. While in most European countries wholesale prices had either declined or increased very little in the first half of 1950, they increased in all countries from 10 to 20 per cent in the second half of the year.

In order to finance rearmament programs government expenditures for civilian purposes are being pared in some of the rearming countries, and budgets are generally increasing, the increase in most countries being met in part by heavier taxes. Nonetheless, budget deficits are expected in a number of countries, and elsewhere the budget surpluses of previous years will be considerably reduced.

The effects of the deterioration of terms of trade in many manufacturing countries constitute a burden additional to that of rearmament. The increase in total output that may be expected as the result either of the employment of unused resources or of increased productivity will, however, constitute an important source of additional resources, though the effects of shortages of specific raw materials and skilled labor are already being felt. Even if increases in output are adequate to meet rearmament requirements, anti-inflationary policies will be needed to offset the increases in money income.

According to present plans some countries envisage that rearmament requirements will be met in part by some reduction in civilian consumption. In some of these countries steps have also been taken to reduce private investment. Lastly, many European countries expect to receive material aid from the United States for the fiscal year 1951-52 under that country's program of mutual defense assistance.

The Terms of Trade

Recent price trends have caused substantial changes in the terms of trade in all parts of the world. In general the movement has been against the more industrialized countries in America and in Western Europe. During the eighteen months from the autumn of 1949 to the spring of 1951, the majority of the Western European countries saw their terms of trade deteriorate twice, once at the time of devaluation and again after the outbreak of hostilities in Korea. In 1949 the terms of trade improved only for Switzerland, which did not devalue, and in 1950, only for Finland, Norway, and Sweden, all exporters of raw materials. The significance of the changes in 1950 was, however, quite different from that of the earlier changes. The deterioration in 1949 was effected by a lowering of export prices in terms of dollars. One of the purposes of the devaluations was to restore by this change in relative prices the competitive power of European countries, and thus to improve their general balance of payments positions. The deterioration of the terms of trade in 1950-51, on the other hand, was brought about by a rise in world market prices of the principal raw materials and foodstuffs which Europe imports from the rest of the world, and which it does not, for the most part, produce itself. The effect of this change is, therefore, not to improve Europe's competitive position but merely to raise the cost of its imports. The cost of this second worsening of Europe's terms of trade may be estimated for the first quarter of 1951 as having been at an annual rate of about $2 billion. The cost to the United States of the worsening in its terms of trade would be about $1.4 billion.

Anti-inflationary Measures

The re-emergence of strong inflationary pressures has led in most countries to the adoption of counter-measures. Reference to budgetary action has already been made. This has been supplemented in some countries, including the United States, by plans for the imposition of price and wage controls and for the allocation of scarce materials. But in their endeavor to cope with a situation that in many respects differs from that of World War II, governments have tended to employ also a variety of other policies that deserve discussion.

Some countries have turned to weapons of monetary policy that for many years had been left unused or given only a minor role, while others have developed further their systems of monetary control with a view to checking credit expansion. This has meant some modification, or even reversal, of the policies of cheap money that had been widely practiced during the postwar period. While rearmament has also made necessary the reimposition of certain direct controls, experience since the end of the war has shown the practical limitations of some of these controls, especially in situations where it has not been felt desirable or necessary to impose very large cuts upon civilian demand, and has also made clear the importance of adequate monetary and fiscal measures. The policies upon which emphasis is thus again being placed embrace a wide variety of measures. Increases in interest rates, which have in most cases been only moderate, have often been supplemented by other devices, such as higher reserve requirements for commercial banks, limits on certain types of loans, or fixing the general terms of credit in certain selected fields.

During the second half of 1950 the central bank discount rate was raised, for the first time since July 1945, in Canada, in the Netherlands, and in Sweden—in each country by one half per cent. In the Netherlands there was a further increase of 1 per cent in April 1951. Up to June 30, 1951, there had also been increases in central bank discount rates in Belgium (½ per cent), Chile (2 per cent), Denmark (1 per cent), Finland

(2 per cent), Western Germany (2 per cent), and the United States (¼ per cent). Long-term interest rates also have tended to rise in many countries as a result of new issues or conversion operations at a higher rate, or of the partial or complete withdrawal of support of the market for government bonds.

Other measures have also been used to limit the expansion of bank credit, both quantitatively and qualitatively. In several European countries provisions for compulsory bank holdings of government securities have been introduced or reinforced in order to prevent banks from expanding business loans by reducing their portfolio of government debt. Reserve requirements have been raised, or special reserve requirements introduced for banks against increases in deposits, in the United States, the Netherlands, Mexico, and Peru. Controls over credit have been further intensified in Germany, and many countries have instituted measures of qualitative credit control. Thus, for example, credit for durable consumer goods and for residential construction has been regulated and tightened and margin requirements for stock exchange loans increased sharply in the United States and Canada, and capital issues have been brought under control in Italy and Australia.

Some of the raw material producing countries have endeavored to protect their price structure from the disruptive effect of rising prices by export duties or other taxes designed to limit the expansion of producers' money incomes. In the present circumstances, such export duties are intended to absorb some of the effects of foreign price fluctuations and to transfer to the government, or in some instances to compulsory saving, part of the increased income of the export industry. Increases in export prices have been so great that export taxes are not likely to check seriously any tendency toward increase in supply.

India, which had raised its export duties considerably after the devaluation of the rupee in September 1949, has since further increased such duties on most major exports. Export duties have been raised in Ceylon on tea, rubber, copra, and other commodities, in Indonesia on rubber, in Pakistan and Egypt on cotton, and in El Salvador and Guatemala on coffee. A sliding scale export duty, rising with the export price, has been introduced in Malaya for rubber and in Sweden for wood products. In both Sweden and Norway, where export duties on wood products were also raised considerably, most of the proceeds are reserved for the benefit of the industry but will not be paid out for a number of years. Similarly, wool growers in New Zealand have agreed to freeze for the time being one third of their receipts, and Australia has levied a 20 per cent tax, which is in the nature of a prepayment of income tax, on the proceeds of wool sales.

The big increases in demand for raw materials, which have sharply increased their prices, have also led to scarcities, which threatened to create serious difficulties for production programs. Early in 1951 the Governments of the United States, the United Kingdom, and France took the initiative in convening an International Materials Conference in which subsequently the responsibility was shared with the Governments of Australia, Brazil, Canada, India, and Italy and representatives from the OEEC and the Organization of American States. The Conference has operated through a series of commodity committees, each of which deals with one or several related scarce commodities and on which the chief producing and consuming countries are represented. It is the function of these committees to make recommendations to governments on methods which should be adopted to increase supply, on ways in which demand can be reduced, for example, by the substitution of other materials, and, wherever the full demand cannot be satisfied, on methods of allocating the available supplies. At the time of the preparation of this Report the deliberations of most of the commodity committees had not reached the stage where formal recommendations could be made to governments, and the effects of these efforts on inflationary pressures cannot yet be foreseen.

In any assessment of the international payments problem that the Fund and its members will have to face in both the immediate and the more distant future, the current inflationary potential must be given a dominating position.

It has been shown in the present chapter that balance of payments difficulties are no longer as acute as they have been, but it must be recognized that the emergence of world-wide inflationary tendencies has created new problems of a different nature carrying the seeds of future payments difficulties.

The Fund cannot but be concerned that the present inflation has been accompanied by widespread scarcities of essential goods and violent swings of prices and terms of trade. In this respect, measures of direct control over the distribution of scarce materials are necessary in some circumstances, especially when these materials are the object of a greatly increased demand arising out of rearmament or strategic stockpiling. In comparison with over-all monetary measures, direct controls have a more precise and direct stabilizing effect on the prices of the very materials which are in acute demand; but their existence involves the risk of uneconomic use of resources in the civilian sector, which in present circumstances remains of great importance.

Therefore, in the face of a pervasive price increase caused by a generalized excess of effective demand, reliance should, as far as possible, be placed on monetary and fiscal measures, in order to counteract inflationary tendencies.

Furthermore, it should be borne in mind that extensive measures of direct control, unless they are accompanied by fiscal and monetary measures, carry with them the risk of building up anew situations of latent inflation, which would threaten for a long time in the future to impair again the effectiveness of monetary policies.

The relative degrees to which countries are successful in containing or even reversing inflationary pressures will directly affect the balance of international payments. Experience has shown that deficits tend to emerge in countries where the inflation is greatest.

C. The Payments Position since the middle of 1950

In appraising balance of payments developments since the outbreak of hostilities in Korea and assessing future prospects, it is necessary to bear in mind both the longer-run trend toward improvement in economic conditions in many parts of the world which has been evident since 1946, and the great increases in demand and the associated changes in both absolute and relative prices since the middle of 1950.

These latter changes have naturally tended to render less favorable the balances of payments of the countries where additional demands originated, that is, primarily the United States and to a lesser extent some of the European countries. On account of their disproportionate effect on raw material prices, they have also tended to weaken the balances of payments of industrial countries in general, while they improved the balances of payments of most raw material and food producing countries. At the same time, they tended to improve the position of other countries whose own armament expenditures were relatively small or which had substantial unused resources.

Any estimate of the balance of payments situation during the next year or two must necessarily be highly conjectural. How far national and international policies will be effective in halting further upward price movements has still to be determined. The amount of U.S. foreign aid is yet to be decided and the realization of the export plans of industrial countries must depend on a continued flow of raw materials and a satisfactory balancing with rearmament demands, neither of which can be taken for granted in all countries. These uncertainties have been illustrated by events in recent months when, for example, the earlier series of U.K. surpluses and German deficits in the European Payments Union have been reversed, and there have been movements in the prices of raw materials and manufactured goods which have modified the movement in the terms of trade of some countries.

Quarterly data on the balance of payments of the United States (see Table X) indicate not only some of the basic trends through 1949 and 1950, but also recent developments and the short-term irregularities of recent changes. The largest quarterly shift toward equilibrium in the U.S. trade balance recorded since the beginning of 1949 was between the second and the third quarters of 1950. This was due to a sudden sharp upsurge of over $500 million in U.S. imports, while exports declined slightly. In the following quarter, however, exports rose by $600 million and, though imports also continued to increase, the trade balance was again in surplus in the two most recent quarters shown. Erratic changes in speculative private capital movements have played a large role in changes in reserves in the last two years; uncertainties in this regard, as well as concerning international aid programs, raw material market developments, the availability of U.S. export supplies, and import policies outside the United States make hazardous any forecasts of balances of payments and reserve positions even for a short period ahead.

During the first quarter of 1951, U.S imports were running at a rate of nearly $13 billion a year, compared to the 1950 total of $9.3 billion. U.S. exports, at an annual rate of $12.3 billion (excluding military shipments) in the first quarter of 1951, have also been running higher than in 1950, when they totaled $10.2

TABLE X. U. S. GLOBAL BALANCE OF PAYMENTS, QUARTERLY, 1949–51

(millions of U.S. dollars)

	1949				1950				1951[1]
	I	II	III	IV	I	II	III	IV	I
Exports	3,455	3,436	2,774	2,672	2,439	2,615	2,498	3,106[2]	3,408[2]
Imports	—1,939	—1,713	—1,577	—1,819	—1,960	—2,007	—2,533	—2,815	—3,199
Trade balance	1,516	1,723	1,197	853	479	608	—35	291	209
Services and private donations (net)	193	164	71	132	125	85	48	215	251
Total goods, services & private donations	1,709	1,887	1,268	985	604	693	13	506	460
Private capital (net)[3]	—107	177	477	—227	56	—100	—672	—282	—84
Total surplus or deficit (—)	1,602	2,064	1,745	758	660	593	—659	224	376
Official grants and loans	1,670	1,667	1,483	1,148	1,105	1,161	902	1,116	1,097
Inflow or outflow (—) of gold and dollars[4]	—68	397	262	—390	—445	—568	—1,561	—892	—721
Total	1,602	2,064	1,745	758	660	593	—659	224	376

Source: U. S. Department of Commerce.

[1] Preliminary.
[2] U.S. exports include items covered by Military Defense Assistance Pact expenditures. These amounted to about $300 million in the fourth quarter of 1950 and $325 million in the first quarter of 1951.
[3] Including errors and omissions, which are believed to represent mainly unrecorded private capital movements to the United States.
[4] Foreign official and private short-term dollar balances and, in 1950 and 1951, net foreign purchases of U.S. Government long-term securities. The securities were purchased mainly by foreign official institutions. Such purchases in 1949 are not available separately from purchases of other U.S. long-term securities; they were, however, much smaller then than in the later years.

billion (excluding military aid shipments of about $600 million). With further increases possible in both imports and exports, it is uncertain whether the trade surplus for 1951 will be larger or smaller than for 1950, when it was about $800 million (again exclusive of military aid). U.S. service income in 1951 will be subject to such divergent influences as increased overseas military expenditure, and the service of the Anglo-American loans which is scheduled to begin during the year.

The largest accumulation of gold and dollar assets from the United States in 1950 occurred during the third quarter of the year, when it amounted to $1.6 billion. In the two succeeding quarters, other countries acquired gold and dollar assets from the United States on a smaller scale, $900 million in the fourth quarter of 1950 and $700 million in the first quarter of 1951, as their imports from the United States again began to rise sharply. For the balance of 1951, these countries may be expected to want to spend a larger proportion of their increased dollar receipts, whether from exports or from U.S. aid; but supply availabilities may limit the extent to which these desires can be realized. On balance, additions to their gold and dollar reserves may well be smaller in 1951 than in 1950.

In 1950 the United Kingdom balance of payments showed an over-all current account surplus of £230 million; official forecasts have, however, stated that, in view of the rising cost of imports, it will not be possible to maintain a surplus in 1951. An increase in the value of U.K. exports of over £500 million, to £2,750 million, has been officially estimated to be necessary to offset the rising cost of imports and to limit the current account deficit to the anticipated value of strategic stockpiling (£100 million). In the first four months of 1951, U.K. imports were running almost at the rate planned for the year as a whole, but exports were 7 per cent below the rate which the Economic Survey estimated as necessary.

In the second half of 1950, the total gold and dollar reserves held by the United Kingdom increased by $878 million, and there were further increases in the first two quarters of 1951, of $458 million and $109 million, bringing the total reserves to $3,867 million by the end of June 1951. Movements in the gold and dollar position of the United Kingdom reflect not only developments in the U.K. balance of payments, but also those in the payments positions of the other members of the sterling area who customarily deposit a large part of their gold and dollar earnings with the United Kingdom in return for sterling balances.

The payments position of the outer sterling area and of Latin America is closely affected by trade movements in commodities such as coffee, rubber, wool, copper, and tin, which accounted for a considerable part of the expansion of U.S. imports in the early part of 1951. If this expansion is maintained, balances of payments for most of the outer sterling area and the dependencies of continental OEEC countries, as well as Latin America and other raw material producing countries, are likely to be stronger in 1951 than in 1950. Outer sterling area and Latin American exports in 1951 of ten important agricultural commodities (wheat, sugar, meat, butter, coffee, cocoa, tea, rubber, cotton, and wool) may well exceed the 1950 level by more than $2 billion.

To some extent balance of payments trends of individual countries in continental Europe are the counterpart of trends in the United States, the United Kingdom, and the raw material producing countries. Their outlook varies widely depending also in part on the extent to which they are able to expand their exports and to develop further their home production, as well as on the magnitude of their rearmament programs and the effects upon their terms of trade of current changes in the international price structure.

The improvement that has recently been taking place in payments relations has been more rapid than that recorded up to the middle of 1950, but it has also been different in character. It has been to a large extent a result of the inelasticity of supply of certain critical raw materials which, in the face of rapidly increasing demand, has driven their prices sharply upward. For example, the 48 per cent increase in the value of U.S. raw material imports between the first half of 1950 and the last quarter of that year was due largely to price increases—the volume of these imports rose by 10 per cent, but their average price by 34 per cent. If for any reason the current abnormal demand for raw material imports were to be reduced, there would be an immediate reaction from the higher price levels that would reverse the current balance of payments trends of raw material producing economies. Even on the most favorable hypothesis, present abnormal demands for raw materials and other goods important for defense programs cannot provide a stable foundation for long-period balance of payments equilibrium.

In estimating the importance of the more significant influences that are likely to determine balances of payments in the immediate future, little need be said about some of the factors that have been emphasized in earlier Annual Reports. This does not, however, mean that from a long-run point of view these factors have lost any of their importance. The fact that everywhere today the risks for the immediate future are much more those of excessive than of inadequate demand does not diminish the fundamental importance of keeping economies operating at a high level. Some of the influences underlying the present favorable trends of many countries' balances of payments are abnormal, and obligations for debt service will expand during the next few years. From a long-run standpoint, it is therefore proper still to emphasize the importance of steps to ensure that, when the present abnormal flow of imports tapers off, the commercial policies and customs procedures of the United States and other surplus countries do not check the substantial increase of other imports that will be an essential condition for the attainment of a permanent international equilibrium.

The present pattern of world payments is not to be considered as a stable pattern for a peace economy. It will become so only as, over the next few years, production outside the United States increases and some readjustment takes place in the relationship between prices of primary and industrial goods.

II

PAR VALUES AND EXCHANGE RATES

THE general structure of par values established in September 1949 has been maintained through an initial testing period of nine months, followed by more than a year of drastic changes in trade resulting from accelerated rearmament. The realignment of exchange rates to a large extent eliminated the marked disparities between price levels which had developed after World War II. With war damage largely repaired and the producing capacity of the non-dollar world restored, the conditions were favorable for the emergence of a more satisfactory international structure of relative prices and costs, in which greater reliance could be placed on the price mechanism in international trade and less reliance on controls.

During the year 1950-51 there were a few further rate adjustments, and new par values were established for two countries that had already agreed par values with the Fund. A detailed description of these changes may be appropriately prefaced by a more general examination of exchange rate policy in the present world situation.

Currency Appreciation

Current exchange rates have recently received renewed attention in relation to the existing world-wide inflationary tendencies and the consequent shifts in terms of trade. While these tendencies have their origin in increases in demand in many countries, they may appear to each individual country as coming from abroad in the form of higher export prices and higher import prices. Faced with the upward pressures which these higher prices tend to exercise on a country's general level of domestic prices and wages, it may appear as a solution to this problem to sever the existing link between that country's currency and the foreign currencies in which these high prices are quoted, and either to raise gradually the value of its currency, or to peg it at once at a substantially higher value. The former policy raises special questions, which are dealt with in the next section of this chapter; this section is devoted to a discussion of the revaluation or appreciation of currencies as an anti-inflationary measure. While it appears useful to discuss this problem in general terms and to indicate some of the most relevant considerations, this should not be allowed to divert attention from the fact that decisions about an appropriate rate of exchange must always be taken in relation to a particular country, in which all aspects of the country's economy must be given due consideration.

In considering whether currency appreciation is a suitable means of dealing with the problems arising out of the current world-wide inflation, countries must weigh a number of important factors. Firstly, no country, except one whose share in world trade is insignificant, can regard prices in world markets as fixed data, and hence can assume that by changing the value of its currency the prices of international commodities in its own currency will be changed to a corresponding extent. Each country, through its demand for imports and its supply of exports, forms part of the world market and through its own action is therefore in part responsible for the price level in these markets. The prospect of touching off a chain reaction must be kept in mind, because it is unlikely that any given country could act alone in revaluing its currency under present conditions, and it could certainly be expected that, if any large group of countries revalued their currencies, world market prices in terms of dollars would receive a strong upward impetus.

The great majority of countries do not have strong and persistently favorable balances of payments, maintained without the help of restrictions. Currency revaluation may weaken further their balances of payments. On the import side, it may involve either a greater outlay for imports or the intensification of restrictions. On the export side, too, the effects of revaluation would require careful consideration. It would be a mistake, in this connection, to assume that the inflationary pressures of the last year have so weakened competitive forces in international markets that exporters in general can again count on a sellers' market in which price is of little importance. Moreover, the possibility of an anticipation by the public that any substantial revaluation might have to be reversed in the not too distant future might invite the kind of speculation against currencies which was a major trouble before the 1949 devaluations.

Any transitory benefits to be expected from appreciation in an environment where shortages of exportable manufactures are expected may easily be exaggerated. The pressure of inflation is great both in Western Europe and in North America, where large defense programs are being undertaken. The inflationary pressures resulting therefrom demand firm fiscal and credit policies keeping in check all types of unnecessary domestic expenditure. On the international payments side, every effort is still necessary to avoid continued dependence on external aid and to relax reliance on restrictions and discriminations. One of the most important factors that would contribute to continued improvement in the payments position of Western Europe is competitive export prices. The present exchange rates for Western European currencies and the currencies of the countries associated with them give their exports a strong competitive position, which appreciation would weaken and perhaps undermine.

In facing the issue of a possible substantial revaluation of currencies over a wide area, account must be taken of the general conditions of the world at present, and the need for cooperative, rather than competitive, monetary and exchange rate policies which this situation requires. In the present world situation member countries' anti-inflationary policies should primarily rely on measures which will combat the inflationary pressures within their own economies, rather than on attempts to transfer these pressures elsewhere by changes in exchange rates. The creation of the International Monetary Fund was due in no small measure to the realization that the world had been ill served by the exchange policies of the thirties, whose effect was to unload on other countries the curse of deflation. The pressing world problem today is inflation. Widespread appreciation would be as ineffective for solving this problem as widespread depreciation was for solving the problem of deflation in the thirties.

Fluctuating Rates

In previous Annual Reports the Fund has discussed the par value system that was agreed at Bretton Woods, noting particularly that the system is one of stability of rates rather than rigidity. The governments that negotiated the Fund Agreement concluded that the exchange rate system best calculated to promote the Fund's purposes is a system of fixed par values agreed with the Fund and subject to occasional adjustment—in accordance with orderly procedures—for the purpose of correcting any fundamental disequilibrium that may develop in the economic relationships of the member countries.

From time to time, in the public press and in both technical and non-technical discussions of foreign exchange policy, this par value system has come under critical review. There has been some advocacy not only of fluctuating exchange rates to suit particular circumstances facing a given country but even of a large number of rates fluctuating at the same time. One important argument offered in favor of this system is the idea that exchange rates should be left to find their own level, in the belief that market forces can best determine appropriate valuations for currencies. A fluctuating rate is sometimes advocated as a procedure better designed than changes in par values to facilitate frequent changes in the rate of exchange when such changes are made necessary by unstable foreign or domestic conditions. Those who favor a "fluctuating rate system" also argue that each rate of exchange should move so as to protect the domestic economy from pressures arising abroad, and, under other circumstances, that the exchange rate should protect the balance of payments against pressures arising out of domestic economic policies.

The continuing interest in alternative foreign exchange arrangements calls for a brief review of the par value system and of the objectives that it serves. The system is not a wise one merely because it was written into the Articles of Agreement. But it is correct to state that it was written into the Articles of Agreement because it emerged from the experience of the world over a period of many years. No one would deny that the maintenance of a given exchange rate is sometimes made very difficult either by a set of internal policies or by the external economic forces with which countries must deal. In the main, these difficulties arise from the fact that changing economic forces operate with unequal effects on various countries. Nevertheless, it is a striking fact that the maintenance of stable rates of exchange is virtually the invariable objective of all countries at all times;

even those countries that have embarked on a policy of fluctuating rates have in practice generally stabilized their rates within narrow limits over long periods of time.

Those who advocate allowing rates to find their "natural" level, permitting market forces to determine a rate of exchange that will be stabilized, seek to provide a simple solution for a very complex problem. There is no such thing as a "natural" level for the rate of exchange of a currency. The proper rate will, in each case, depend upon the economic, financial and monetary policies followed by the country concerned and by other countries with whom it has important economic relationships. If the economy of a country is to adapt itself to a given exchange rate, there must be time for the producers, sellers and buyers of goods and services to respond to the new set of price and cost relationships to which the rate gives rise. This means that in the short run changes in the exchange rate are either no test or a very poor test of basic economic inter-relationships. It also means that whether a given exchange rate is at the "correct" level can be determined only after there has been time to observe the course of the balance of payments in response to that rate. Moreover, past experience with fluctuating rates of exchange has proved that movements in the rate are significantly affected by large speculative transfers of capital. Consequently countries prefer to make adjustments in their rates of exchange in a manner that will minimize distortions through speculation. Parenthetically it may be mentioned that generally implicit in the arguments for fluctuating rates is the assumption that some major currency will remain stable as a point against which to operate the fluctuating rates.

When a rate of exchange becomes inappropriate because of fundamental changes in a country's balance of payments, arising from forces either external or internal, it should be adjusted to the new situation. The Fund Articles are sufficiently broad to permit any necessary and justifiable changes in par values, and if changes are made by the orderly procedure provided by the Articles, sufficient weight will be given to the interests of all members of the international community. In the present circumstances it is essential that the cooperative endeavor represented by the Fund be extended and improved, rather than undermined. By establishing the Fund, its members recognized that each had a responsibility toward all the others; that the action of each had effects on all the others; and that only by working together could they mitigate the evils of economic nationalism and secure the benefits of expanded trade. The course of events since the meeting at Bretton Woods has shown that their judgment was sound.

For these reasons a system of fluctuating exchange rates is not a satisfactory alternative to the par value system. But there may be occasional and exceptional cases where a country concludes that it cannot maintain *any* par value for a limited period of time, or where it is exceedingly reluctant to take the risks of a decision respecting a par value, particularly when important uncertainties are considered to exist. Even under such circumstances, however, members of the Fund must recognize that should any one of them be moved by these considerations to allow its rate of exchange to fluctuate, other members of the Fund will be affected. For a country whose position in international trade is comparatively unimportant, this consideration may not be as significant as the benefit it expects to derive for its own economy. But there is always the danger of the psychological impact of such action on expectations in other countries that might force these countries to follow the same course. When such a situation is examined with respect to a country with an important position in international trade, particularly if its currency is one of the major trading currencies, the implications for other countries are far more important than the results that it might seek to achieve for its own economy. Moreover, if a substantial number of exchange rates were allowed to fluctuate, complex problems would be created for all countries and a chaotic situation might easily develop.

What should be the Fund's attitude toward these exceptional cases which, from time to time, have been presented to the Fund and may be again presented in the future? A member of the Fund cannot, within the terms of the Articles of Agreement, abandon a par value that has been agreed with the Fund except by concurrently proposing to the Fund the establishment of a new par value. What a country can do under the circumstances described above is to inform the Fund that it finds itself unable to maintain rates of exchange within the margins of its par value prescribed by the Fund Agreement, and, accordingly, that it is temporarily unable to carry out its obligations under Sections 3 and 4 (b) of Article IV.

The circumstances that have led the member to conclude that it is unable both to maintain the par value and immediately select a new one can be examined; and if the Fund finds that the arguments of the member are persuasive it may say so, although it cannot give its approval to the action. The Fund would have to emphasize that the withdrawal of support from the par value, or the delay in the proposal of a new par value that could be supported, would have to be temporary, and that it would be essential for the member to remain in close consultation with the Fund respecting exchange arrangements during the interim period and looking toward the early establishment of a par value agreed with the Fund. No other steps would be required so long as the Fund considered the member's case to be persuasive, but at any time that the Fund concluded that the justification for the action of the member was no longer sustainable, it would be the duty of the Fund so to state and to decide whether any action under the Fund Agreement would be necessary or desirable.

The essence of this whole analysis may be very simply expressed. The par value system is based on lessons learned from experience. There is ample evidence that it continues to be supported by the members of the Fund. Exceptions to it can be justified only under special circumstances and for temporary periods. The economic and financial judgment of the Fund in such cases must be tempered by recognition of its responsibilities in the wider field of international relations.

Par Values in 1950–51

During the fiscal year 1950–51, adjustments in established par values were agreed with two members of the Fund and an initial par value was agreed for a third member.[1]

The change in the par value of *Ecuador* from 13.50 sucres to 15 sucres per dollar, in which the Fund concurred on December 2, 1950, involved a simplification of the country's multiple rate structure, and was a significant step toward a definite adjustment of the rate pattern and exchange system on a more realistic basis. Ecuador had been dealing with its postwar balance of payments difficulties largely through an emergency system involving multiple exchange rates and exchange taxes. When a serious deficit developed in 1949, largely as a result of a recession in the prices of Ecuadorian exports, the country was not yet ready to take a definite step and hence did not join in the formal devaluations undertaken by many other countries at that time. Instead it resorted to the further temporary measures referred to in last year's Annual Report, mainly in order to gain time to consider a thorough overhaul of the exchange structure. In 1950 the improvement in international markets eased the position of Ecuador and made possible the disposal of some accumulated export surpluses. Reserves were accumulated at a substantial

[1] The establishment of an initial par value of 230 markkas = US$1 for the Finnish markka was also announced by the Fund on June 28, 1951.

rate during the year. The money supply increased considerably, though not in proportion to the increase in reserves, since internal factors had a net contractionary effect, due mainly to the repayment of crop advances made in the preceding year and the limited size of expenditures on development projects.

The Korean crisis led to a sustained favorable demand for some of Ecuador's major exports. At the end of November 1950, when the emergency legislation expired, it was believed that a devaluation of about 10 per cent would be sufficient to assure for the foreseeable future an adequate flow of exports, with the exception of some minor products for which a compensation system was to be retained for a limited period. On the import side, the new parity rate is applied to the essential imports that constitute the greater part of total imports. For the two categories of less essential imports, the rather complex exchange taxes and surcharges have been replaced for the time being by a flat tax, applied at different rates for the two groups, with the least essential continuing to obtain exchange in the free market. The anticipation of shortages had induced in Ecuador, as in other countries, an increased demand for imports, and more experience of domestic policies and the development of the world situation will be required before the effectiveness of the present system can be properly assessed.

During the year under review, *Paraguay* effected a change in par value and made other modifications in its exchange system to supersede the temporary revisions of late 1949. Under that temporary system and with the application of rather severe import restrictions, Paraguay succeeded during 1950 in increasing its reserves. At the same time the guaraní loss that resulted from the Bank of Paraguay's exchange transactions became an important element activating inflation in the latter part of 1950. A fundamental adjustment of the system was needed to ease the pressures resulting from continued inflation and the inadequate rate structure. Paraguay has benefited only to a relatively minor extent from the rise in world raw material prices after mid-1950.

After a period of close consultation, a change in the par value of the guaraní, effective March 5, 1951, from 3.09 to 6.00 guaraníes per dollar, was agreed with the Fund, and at the same time a significant simplification of Paraguay's complex exchange system was effected. Under the new system there are only two fixed rates: the parity rate, which applies to the bulk of exports, a limited number of essential imports, and some government transactions; and a rate of 9 guaraníes per dollar for the bulk of imports and certain minor exports. A legal free market was also established for certain nontrade transactions, and the importation of certain luxury goods was temporarily suspended. Among other modifications, it is worth noting that the graduated tax on sales of exchange, which during the preceding months had been applied in addition to the rate spreads, was eliminated. Although the results of the new system cannot yet be accurately appraised, its effectiveness will depend to a considerable extent upon the success of anti-inflationary measures and upon the improvement of the exchange control machinery. In connection with the latter, the Fund has been giving Paraguay technical assistance.

The dollar exchange rate of the *Pakistan* rupee had not been changed at the time when other sterling area currencies were devalued. The Government of Pakistan—which became a member of the Fund and communicated a par value based on its then prevailing rate of exchange in July 1950—believed that the balance of payments of Pakistan did not require devaluation; that the supply conditions of her major exports, jute and cotton, made it unlikely that devaluation would increase Pakistan's export earnings, including those of hard currencies; that higher import prices would constitute a serious inflationary danger; and that industrialization in Pakistan would be impeded by the higher costs of imported capital goods that would result from devaluation. In the light of the devaluations by other countries, many of them having close trade relations with Pakistan, Pakistan's position gave rise to doubts in some quarters.

During the 18 months since September 1949, Pakistan's balance of payments showed improvement. Pakistan succeeded in marketing its exportable production, although this was due to some extent to the fact that the 1949-50 jute crop was smaller than normal. The continuing upward movement of world prices and demand for Pakistan's exports strengthened the case for maintaining the original exchange rate of the Pakistan rupee. On March 19, 1951, an initial par value for the Pakistan rupee of PRs 3.30852 per U.S. dollar, which was identical with the exchange rate prior to the devaluations of September 1949, was accepted by the Fund. In the Fund's judgment, this par value appeared appropriate in the light of the balance of payments prospects of Pakistan and current world market trends.

On September 30, 1950, the Government of *Canada* suspended its fixed rate of exchange and announced that the rate would be permitted to fluctuate in response to market forces. This action was taken in order to check an undesired capital inflow, mainly from the United States, which was adding to the money supply and tending to depress interest rates, thus augmenting internal inflationary pressures and, at the same time, increasing Canada's gross foreign debt and annual service charges. The objective of the Canadian action thus differed from that of previous exchange rate adjustments of most other countries, which were intended to rectify an unfavorable balance of trade and to check an outflow of capital.

The heavy inflow of capital into Canada in 1950 of about Can$1 billion was accompanied by a deterioration in Canada's over-all balance on goods and services, although the current account with the United States showed substantial improvement. Speculative opinion in the United States had formed the view that the trend of the balance of payments with the United States would continue increasingly favorable to Canada, and might lead to an upward revaluation of the Canadian dollar. More than two thirds of the total inflow of capital for the year was concentrated in the third quarter, when there was a considerable movement via the security markets under the influence of this speculative opinion. In view of the speculative nature of much of the capital inflow, the Canadian Government felt unable to foresee the end of the movement so long as a fixed exchange rate was maintained. As, in the view of the Government, it was impossible to determine in advance with any reasonable assurance what new level would be appropriate, it announced that the rate of exchange should be left to be determined by market forces.

The Fund recognized the exigencies of the situation that led Canada to the proposed plan and took note of the intention of the Canadian Government to remain in consultation with the Fund and to re-establish an effective par value as soon as circumstances warranted. After the suspension of the fixed rate of exchange which became effective October 1, 1950, the exchange value of the Canadian dollar rose from 90.9 U.S. cents to nearly 97 cents, and the inflow of capital subsided to nominal proportions. The market rate on April 30, 1951, was 93.6 cents.

The action of Canada has increased to three—the other two being France and Peru—the number of Fund members that have decided temporarily not to maintain exchange rates within narrow margins of the par values agreed with the Fund. The position is similar in Italy and Thailand, where, however, no par values have ever been agreed with the Fund.

In *France* and in *Italy* the Governments have succeeded, during the whole of the period under review, in keeping the exchange rate between their respective currencies and the dollar at the level prevailing at the beginning of this period. In *Greece,* too, the effective dollar and sterling exchange rates of the drachma have remained stable since the devaluation of 1949.

During the past year, *Peru* has maintained the exchange system established in November 1949, involving two exchange markets in which the rate was subject to fluctuations. The sol has, however, been effectively stabilized in relation to the dollar; discriminatory import prohibitions on dollar goods have been removed, and the spread between the certificate and draft rates has been reduced to a fraction of one per cent. The level of international reserves has also risen. These developments should facilitate the unification and formal stabilization of the exchange rate.

After the exchange reform of November 1949, the sol appreciated against the dollar in both the certificate and the draft markets. The certificate rate, which had been about 15.20 soles to the dollar in November 1949, reached its highest level, 14.30 soles, in February 1950. Thereafter it depreciated, fluctuating around 15 soles to the dollar until September 1950; it then strengthened with government intervention in the market and was effectively stabilized in October at 14.95.

The relative firmness of the sol against the dollar following the reform of November 1949 was partly a result of the exchange reform itself, which increased the supply of dollars in the certificate market more than it added to the demand. Moreover, the anti-inflationary policy that the monetary authorities pursued with marked success in the months following the reform prevented any significant rise in the money supply until May (the money supply actually declined through January 1950). Following the outbreak of the Korean conflict the demand for imports rose sharply. At the same time expanding exports together with internal pressures (despite budget equilibrium) expanded the money supply, which at the end of December 1950 was more than 15 per cent higher than at the end of 1949. These factors largely explain the depreciation of the sol during that period. As the export boom gathered momentum a tendency in the opposite direction began to appear. However, appreciation was arrested by further Central Bank purchases in the dollar certificate market and by the reduction and eventual abolition of the prohibitions on dollar imports. As a result of the Central Bank's intervention, Peru's international reserves increased substantially in the latter part of 1950 and in early 1951. Inflationary pressures appear to have continued in 1951. The authorities took steps in May 1951 to check the expansion of the money supply, while continuing the accumulation of reserves.

The sterling rate has at times followed a somewhat different course. For a time sterling commanded a premium over the dollar, largely because the intensified import demand was unhampered by import prohibitions in the sterling market. With the subsequent removal of prohibitions on dollar imports, a discount on sterling tended to reappear. To some extent these movements in the sterling rate were also influenced by the seasonal character of Peruvian trade with the sterling area.

In *Thailand* during the past twelve months the free market rates for the baht have appreciated in terms of both sterling and dollars. The rate of appreciation increased in the last quarter of 1950, and the first quarter of 1951, partly on account of rapidly rising prices for rubber and tin and an increased volume of rice exports. The average free selling rate for the dollar fell from 22.14 baht in April 1950 to 21 in April 1951, and for sterling from 57.53 baht to 54.11 baht. The baht has therefore appreciated by 5.4 per cent in terms of the dollar and 6.3 per cent in terms of sterling.

The area within which broken cross rates threaten to distort the normal flow of trade is now much narrower than it was two or three years ago. The cross rates of greatest significance are the sterling-dollar rates, and the increased relative strength of sterling has been the basic reason for the improvement. There are, however, still a number of countries, including Hong Kong, Peru, Syria, Lebanon, and Thailand, where cross rates have not been brought under control, and countries confronted with special exchange problems are still sometimes disposed to look for an easy solution to practices that involve broken cross rates.

Other Exchange Policy Developments

In *Austria* the inflationary pressures that in earlier years had been a continuous threat to financial stability were eased in 1950 by a considerable ordinary budget surplus, achieved through improved tax assessment and collection procedures, the restrictive credit policy of the Central Bank, and substantial increases in industrial and agricultural production. This enabled the Government to decrease the distortion of the domestic price structure and price-cost relations, and thus made possible a further adjustment in the exchange rate structure of the schilling. On October 5, 1950, following a price-wage agreement that partially eliminated the existing distortions in domestic relative prices, and, after consultation with the Fund, the exchange system that had been established in November 1949 was considerably simplified. The existing three rates applied to different import categories were replaced by a single rate hitherto used for one category of imports and all exports. A single rate of 21.36 schillings to the U.S. dollar (equal to the so-called effective export rate) has thus been established for all trade transactions. The premium rate of 26 schillings to the U.S. dollar has been maintained for certain invisibles, mainly tourist expenditures. The "basic rate" of 14.40 schillings to the U.S. dollar, previously applied to imports that were given a heavy weight in the cost of living index, was abolished, the subsidies that this rate implied being partly abolished and partly transferred to the budget. Private barter and/or compensation arrangements and other "irregular trading" devices have been abolished in principle.

The decline in the prices of *Chile's* major export commodities that had been partly responsible for its difficulties last year was arrested and subsequently reversed during the 1950–51 fiscal year. Inflationary pressures, however, still continued to aggravate the balance of payments difficulties, though during the early part of the period a serious effort was made to curb persistent inflationary trends, chiefly through a somewhat less liberal credit policy, and some encouraging success was achieved. After the Korean conflict began, however, the impact of developments abroad became an increasingly important inflationary factor and disturbing trends again made themselves felt.

In an attempt to adapt its exchange structure to the continuously changing economic situation at home and abroad, Chile has made a number of revisions in its complex exchange rate system. It was not possible to move as far toward the objective of a unified exchange system as had been hoped when the measures reported in last year's Annual Report were taken early in 1950, but there was some progress in that direction. After a series of intermediate adjustments, a major reform was carried out toward the end of 1950 which resulted in a further depreciation of the average level of exchange rates and permitted some relaxation of direct restrictions. After the legalization of the free market, which is now used for the majority of nontrade transactions and for certain trade transactions, the free market rate tended for a time to appreciate, apparently in response to internal policies and to international economic developments. About one fourth of imports are free from control, another fourth is freely importable by specified importers, while the remainder is still subject to quantitative restrictions. The largest group of imports is subject to a rate of 60 pesos per dollar, another significant portion obtains exchange in the free market, and for a few of the most essential imports exchange is provided at the preferential rates of 50 or 31 pesos. On the export side, the rate of 19.37 pesos per dollar has been retained for the local currency requirements of the large foreign-owned companies, particularly copper mining companies, while other exports are effected at the rate of 50 pesos or the free rate. Consultations between Chile and the Fund are continuing.

To ease the growing pressure on its import controls, *Colombia* in March 1951 undertook an extensive reform of its exchange system that involved depreciation on both the buying and the selling side and diminished the reliance previously placed on direct controls. An accelerated monetary expansion during most of 1950 had brought about a rising demand for imports, which was intensified by the anticipation of shortages after June 1950. The pressures became so strong that the authorities found it necessary to relax the application of import restrictions about the middle of the year. As a result, there was a moderate decline of reserves, and substantial payments arrears accumulated during the year, notwithstanding record exchange earnings resulting from the continuing rise in the price of coffee, Colombia's main export. Furthermore, the very large volume of import licenses outstanding at the end of the year had yet to be translated into payments obligations.

In addition to these immediate and prospective balance of payments difficulties, and growing dissatisfaction with the cumbersome control and exchange rate system, economic development and policies consciously oriented to that objective had been receiving increasing attention in Colombia. It was felt that foreign investments should be encouraged, and for that purpose some rate adjustment and relaxation of restrictions were deemed to be desirable incentives. In view of all these considerations, Colombia proposed major modifications in its exchange system, which the Fund approved as concrete steps in simplifying the exchange rate structure and relaxing restrictions, and toward the ultimate establishment of a new par value.

The new system, which went into effect on March 20, 1951, established a new buying rate of 2.50 pesos per U.S. dollar, which applies to all exchange receipts except those from coffee exports. For the time being this rate is also applied to 25 per cent of coffee export exchange proceeds, the remainder being sold at the old rate of 1.95 pesos. Previously, major export (including coffee) proceeds, the earnings of Colombian capital abroad, and exchange derived from registered foreign capital had received the 1.95 peso rate, while all other exchange proceeds were liquidated at a premium certificate rate, which fluctuated around 3.00 pesos per U.S. dollar. The exchange certificate market has now been abolished.

The selling rate of exchange has, on the average, depreciated by more than the buying rate. The basic selling rate, formerly 1.95 pesos per U.S. dollar, is now 2.51 pesos. An exchange tax of 3 per cent is applied to all private import payments, and taxes ranging from 2 to 9 per cent to specified nontrade payments. The number of effective selling rates has thus been reduced to 5, against as many as 21 in July 1950. Direct restrictions on permitted imports have been substantially removed, but a list of prohibited imports has been established which covers about 8 per cent of the value of 1950 imports.

Colombia's exchange earnings this year are likely to exceed substantially even last year's record level. It is, therefore, expected that, with appropriate supporting policies, the new exchange rate structure should equilibrate Colombia's international accounts, at least after the payments arrears carried over from last year have been settled and the effects of last year's relaxation of import restrictions at lower rates of exchange have been absorbed.

In November 1950, as part of a general fiscal program, *Denmark* levied a tax of 20 per cent on sales of foreign exchange for travel purposes. While the Fund regretted the introduction of a new multiple currency practice and did not approve the tax as a long-term policy, nevertheless, in view of the fact that this tax did not constitute a major modification of Denmark's foreign exchange system, and as it was understood that the tax would lapse in March 1952, the Fund did not object to its temporary continuance until March 1952.

Late in February 1951, after consultation with the Fund, a system was introduced in *Iceland* whereby operators of small fishing vessels were granted import licenses for certain specified goods, in an amount denominated in Icelandic currency equal to one half the foreign exchange proceeds derived from export products from these vessels except herring products and cod liver oil. This system was established in order to provide a temporary subsidy to this part of the fishing industry; it will remain in force for one year and Iceland will consult with the Fund regularly on its operation.

After the devaluations of September 1949, *Iran* stabilized the certificate rate, applied to the majority of trade transactions (other than oil), which had gradually appreciated during the preceding year, at the level of 40 rials per U.S. dollar. This situation was maintained until July 1950, when the exchange system was substantially revised. Under this revision there were three different official rates of exchange. The rate of 32.50 rials per U.S. dollar continued to apply to the exchange sales of the Anglo-Iranian Oil Company, to governmental nontrade transactions, and to certain essential personal remittances. Payments for a specific list of essential imports were subject to a second fixed rate of 40 rials per U.S. dollar. A third fluctuating rate was also introduced, mainly as an incentive to exports and a discouragement to nonessential imports. Exporters were permitted to dispose of their foreign exchange proceeds in the free market to importers of nonessential goods which were not on the list of prohibited imports.

This free market, however, met with considerable criticism in business circles, largely because of the added element of risk and uncertainty it introduced into their dealings. The Central Bank found that it curtailed its control over exchange availabilities and operations. Moreover, the free rate for the rial showed a pronounced tendency to appreciate.

These considerations induced the authorities in November 1950 to replace the fluctuating rate with a fixed rate of 48.75 rials. The scope of transactions to which the three different rates applied remained unchanged. At the same time, the period within which foreign exchange receipts must be surrendered was reduced from 16 to 12 months. The Fund has been in close consultation with Iran concerning its exchange system and related problems.

The stop-gap modifications in the exchange system of *Nicaragua,* introduced late in 1949, proved inadequate to overcome the country's balance of payments difficulties that had been growing during the postwar period. Notwithstanding record export receipts in 1950, there was by the end of the year an accumulated backlog of commercial arrears of about $5 million. A more thoroughgoing reform of the exchange rate structure and system was found to be necessary and with the agreement of the Fund this was enacted in November to take effect January 1, 1951. The reform established a more realistic rate pattern and eliminated the compensation and certificate practices. It established a single effective buying rate of 6.60 cordobas to the dollar and a basic selling rate for private transactions of 7 cordobas to the dollar.

These basic rates are subject for the time being to certain qualifications. Exchange for governmental requirements, and for the settlement of outstanding commercial obligations for imports previously incurred at the official rate of 5 cordobas, will be provided at that rate. The amount made available for these purposes is not, however, to exceed 20 per cent of total exchange receipts. Surcharges on imports have been introduced to replace direct controls that had led to unsatisfactory allocations. While exchange is allocated for essential imports without surcharge at the rate of 7 cordobas, surcharges are imposed on semi-essential and nonessential imports at the rates of one cordoba and three cordobas per dollar, respectively. The receipts from these surcharges are to be sterilized, and, as a further anti-inflationary measure, advance deposits are required on import payments. The new system has simplified Nicaragua's multiple rate structure and, given proper enforcement of the principles on which it is based, should be adequate to restore balance to Nicaragua's payments position.

The *Philippine Republic* has in the past year been faced with the necessity of taking further measures to overcome the grave difficulties that may still be considered a direct legacy of the devastation of the war. Production had fallen to a low level after the war and both production and exports are still significantly below the prewar level. On the other hand, the annual value of imports from 1946 to 1949 was about double that of exports. During the postwar years large U.S. disbursements and aid tended to conceal the urgency of the need for other measures to improve the country's international position and lessen its dependence on foreign aid. As these disbursements declined, a continued high level of imports sustained by high money incomes, and the failure of exports to expand caused a severe drain on foreign exchange reserves. As reported in last year's Annual Report, it was found necessary toward the end of 1949 to introduce exchange and import controls to prevent complete exhaustion of the reserves and to arrest capital flight.

Reliance on direct controls as the predominant instrument of policy could not, however, be an adequate remedy in the long run. The serious economic straits in which the Republic found itself prompted the government in 1950 to request the President of the United States to appoint an economic survey mission to consider the economic and financial problems of the country and to make appropriate recommendations. This mission, in a report submitted in October 1950, recommended various economic reforms. Among a number of alternative measures, which it proposed in order to facilitate the reduction of imports through cost measures, was the imposition of an exchange tax of 25 per cent. However, as a result of the combination of stringent exchange and import restrictions and rising export prices, the external position of the Republic showed substantial improvement in 1950, and the exchange tax adopted by the Philippine Congress was somewhat lower than had been recommended in the mission's report. Effective March 28, 1951, a special tax of 17 per cent, to be maintained for two years, was imposed on the value in pesos of foreign exchange sales. Sales of foreign exchange for certain essential purposes, including specified imports and certain invisible items, are exempt from the tax. This action was taken after consultation with the Fund. The Fund, taking into consideration that related measures were also being taken to increase production and achieve internal financial stability, approved the use of such an exchange tax as a temporary measure.

There have also been significant developments in exchange policy in two countries, Argentina and Poland, which are not members of the Fund. The measures taken by *Argentina* to adjust its complex exchange system to the currency realignment of 1949, and their effects on certain neighboring member countries were referred to in last year's Annual Report. These measures did not prove adequate to provide in 1950 the desired stimulus to production of basic agricultural exports, to discourage excessive imports, and to maintain a sound basis for a balanced agricultural-industrial economy. This was particularly true with respect to the basic rate of 3.3582 pesos to the U.S. dollar, which had been maintained unchanged in the 1949 adjustments and which applied to Argentina's major agricultural exports, such as cereals and meat. Domestic inflationary developments continued to raise the cost of production. Domestic minimum prices for basic agricultural products had to be increased and, although the international prices of these products also rose after the outbreak of hostilities in Korea, a devaluation of the basic rate was deemed necessary as a further stimulus to production and in order to restore the profit margins of the state trading corporation. Devaluation of the basic rate from 3.3582 pesos to 5 pesos per U.S. dollar, effective August 28, 1950, was accompanied by a simplification of the exchange system. Three rates replaced the ten rates previously in force. In addition to the 5 peso rate, which applies to basic exports and preferred imports, there is a preferential export and basic import rate of 7.5 pesos per U.S. dollar. A free exchange market was established for capital transactions, other invisibles, minor exports, and nonessential and luxury imports. The rate in the free market has been fluctuating around 14 pesos to the dollar. Argentina was able subsequently to increase the export prices of its major products with a view to maximizing foreign exchange earnings, and the competitive position of those Argentine exports that compete with similar products from Uruguay and Paraguay appears to have remained virtually unchanged.

A revaluation of the zloty, which gave an exchange rate of 4 zlotys to the U.S. dollar, identical with that of the Soviet ruble, instead of the old effective rate of 400 zlotys, was announced in

Poland on October 28, 1950. This change was part of a general monetary reform, which at the same time involved a reduction of prices to three hundredths of their former level. If the old effective rate accurately represented the real purchasing power of the old zloty, the new rate therefore substantially overvalued the zloty against the U.S. dollar and other Western European currencies. A new zloty has been put into circulation, the cash of private persons and enterprises being converted at the rate of 100 old zlotys to one new zloty, and of cooperative and state enterprises and institutions and the savings deposits of the working population at the rate of 100 to 3. A fundamental objective of the reform, which reduced the real value of cash balances of private persons and entrepreneurs by two thirds, was stated to be "the completion of the process of shifting part of the capital held by capitalists to the masses of workers and peasants."

In contrast with the far-reaching changes of the previous year, the structure of par values in 1950–51 has shown a satisfactory degree of stability. In the present circumstances the broad pattern of agreed exchange rates may be accepted as adequately performing the proper economic function of exchange rates. There should, however, be no complacency about these results. It is the duty of the Fund and its members to keep exchange rates continuously under review; especially at the present time it must be emphasized that the soundness of a country's rate of exchange is dependent upon its ability to maintain monetary stability, and that the soundness of the rate structure as a whole is dependent especially upon monetary stability in the larger economies.

III

EXCHANGE RESTRICTIONS

Restrictions under Existing Conditions

IN its Second Annual Report on Exchange Restrictions, transmitted to its members and to the Governors in April 1951, the Fund reviewed the role of restrictions under existing world conditions and reached the conclusion: ". . . it is recognized that some of the essential characteristics of the problem of exchange restrictions are being drastically altered. For many countries, the problem is becoming increasingly one of shortages of supplies and availabilities of future supplies, and less and less one of inability to finance foreign expenditures. Export controls, based on national and international decisions, are becoming increasingly important in determining the pattern of world trade and payments. Uncertainties and anxieties resulting from the strained international situation and rearmament programs have posed the question as to whether the Fund should continue its 'task of assisting in the establishment of a multilateral system of payments . . . and in the elimination of foreign exchange restrictions'.

"Even in these new circumstances it is the view of the Fund that, if countries have favorable balance of payments conditions and are experiencing increases in their reserves providing a reasonable basis of exchange stability, it is in their interest, and in that of the international community, to relax or remove restrictions unless such action would produce conditions justifying the intensification or reintroduction of those restrictions. The Fund is keenly aware of the difficulties of a new character which confront a number of its member countries, but nevertheless it believes that the very general improvement in balance of payments positions and prospects of its members justifies a relaxation or removal of restrictions and, particularly, of discrimination. Such a relaxation would have short-run benefits in increasing the quantity of goods available for domestic consumption, thus restraining inflation, and would have benefits outlasting the present emergency by permitting a more economic use of the world's resources. At the same time, the Fund recognizes that the new difficulties mentioned above are leading some countries to divert a higher proportion of their productive efforts to rearmament, to give greater attention to strategic and security necessities, to place emphasis on obtaining adequate supplies of raw materials or other essential goods, and to maintain reserves adequate to cover deficits in balances of payments which may arise from relatively higher prices for imports or from a prospective shortage of exportable goods." Essentially the same basic trends as were described in that Report were still evident at the time the present Report was being written and the Fund considers that the conclusion quoted continues to be sound. Because of the proximity in time between the Second Annual Report on Exchange Restrictions and the present Report, emphasis is given herein to the most recent trends.

The first chapter of this Report has already noted the improvement in the balance of payments position of many countries and the continuation of the increase in gold and dollar exchange reserves held outside the United States, which began before the outbreak of hostilities in Korea and was accelerated in the second half of 1950. Partially as a consequence, while gold and dollar reserves are still relatively low for some countries, the distinction between "hard" and "soft" currencies has become much less sharp, and sterling in particular has become a much "harder" currency. U.K. sterling liabilities to other parts of the sterling area have increased, but on the other hand the discounts at which certain holders offer sterling for sale have decreased, and arrangements have been worked out to release or settle over a period of years a number of large holdings of sterling balances that had accumulated during the war. Important in accounting for these developments have been the rise in U.S. demand which greatly reduced the difficulties of other countries in exporting to the United States, and the reestablishment of production throughout the world on a more normal basis which made it possible for many countries to increase their exports to and decrease their imports from the dollar area. This also facilitated a reduction of their dependence on extraordinary external economic assistance. Although rearmament has brought with it new distortions and shifts in the terms of trade, those price distortions which had existed in the years immediately after the war were to a considerable extent corrected by the 1949 devaluations. However, the net effect of these developments has been for many countries a reduction in what the 1950 Annual Report of the Fund described as the "many economic difficulties . . . that must be overcome before countries can, without facing serious risks, remove restrictions and assume obligations of convertibility."

A noticeable tendency toward the relaxation of restrictions and the increase of imports by many countries was in evidence during 1950–51. In the first half of 1950, the outstanding development in restrictions was toward regional arrangements for their relaxation, which widened the area of freedom among certain countries, although maintaining or relatively intensifying discrimination against countries outside the region. This development was exemplified by the establishment of the European Payments Union (EPU) and the continuation of efforts toward the liberalization of intra-European trade and invisible transactions sponsored by the Organization for European Economic Cooperation (OEEC).

After the middle of 1950, there was evidence of increasing willingness to relax restrictions on a wider basis. While restrictions continued to be a major factor influencing international trade and payments and in some cases were even introduced or intensified, there was a tendency in many countries to increase the amount of their imports, including imports from the dollar area—e.g., the removal by sterling area countries of the "75 per cent limit" on purchases from the dollar area. In some cases, this relaxation took the form of formal removal or relaxation of restrictions. Much, however, was also done by administrative action within the framework of existing control mechanisms. To a considerable degree, the relaxation was made possible by improved balance of payments and reserve positions, with action frequently stimulated by the desire to acquire supplies before the full effects of rising prices, future shortages, and shipping difficulties were felt.

These trends have continued in more recent months. India, for example, in March 1951 doubled the value of import licenses issued for the first half of 1951 and extended the validity of licenses to the end of the year. In the same month, both India and the United Kingdom placed additional raw materials under "world open general license", allowing their unrestricted import from any country, and, in considerable measure because of the rise in import prices, the value of their imports has recently shown a considerable increase. Early in April Australia announced that import licenses would be granted on application for selected classes of goods from the dollar area provided importers could obtain offers for reasonably early delivery and at reasonable prices. At about the same time it was announced that the value in 1951 of New Zealand's imports from North America was expected to exceed their value in 1950 by 60 per cent. As noted earlier in this Report, Colombia in March 1951 introduced measures to reduce substantially its restrictions, removing all licensing restrictions on imports except for commodities on a prohibited list.

With regard to multiple currencies, for the world as a whole, there has not been a pronounced trend toward the decrease in such practices. Since the middle of 1950, however, there have been important modifications in the multiple currency practices of certain countries, some of which can be directly ascribed to changes in their balances of payments. The improvement in the export situation has led some countries to rely less on subsidy rates favoring particular commodities which in periods of less favorable prices had encountered difficulties in international markets. In certain Latin American countries the use of private compensation and barter transactions involving so-called "minor" or "marginal" exports has been terminated. In others, some export commodities have been shifted from the most preferred list (most depreciated rates) to the lists (or rates) at which the basic exports move. Such modifications in the rate structure have tended to narrow the spread between the different export rates. At the same time, some countries have also taken the opportunity to shift their entire rate structures toward more adequate levels.

Similarly, the policy of relaxing import restrictions has also led to changes and adaptations, some involving considerable simplification, in the multiple currency practices that affect imports. By and large, just as improvement in their export situation has led certain countries to rely less on preferential multiple rates as a stimulus for "minor" exports, so the relaxation of restrictions on imports receiving exchange at the most favorable rates has increased the coverage of these "preferential" rates. In some countries, the spread between the "preferential" and the "penalty" import rates has been reduced. Thus, while some of the changes in multiple currency structures represent devaluations, the extent of the devaluation is reduced, in many cases, by the elimination or reduction in the level and scope of the higher premium export rates and penalty import rates.

These changes, many of which are described in Chapter II of this Report, have been particularly apparent in countries where multiple currency practices have existed for a number of years. Among the most recent developments have been the measures taken by Colombia and Paraguay in March 1951. On the other hand, increased reliance on multiple rates has also been noted in some countries, as in the case of the Philippine Republic, in the early months of 1951. But, while the use of multiple currency practices has increased in some parts of the world, there has been a tendency to reduce their scope in those areas which relied most heavily on them in the past.

At the same time as there is noticeable a tendency toward relaxation of restrictions, new factors arising out of the international situation, e.g., scarcity of certain supplies and strategic necessities, have created pressures for certain restrictions or other governmental measures. For example, in some countries the eagerness to obtain goods is reported to have brought about an increasing tendency toward barter arrangements. Export controls are becoming more widely used and problems of allocation of scarce materials have been receiving attention in several organizations such as the International Materials Conference. In March 1951 the United States announced that: "In order to accomplish an effective export control program in the national interest of the United States, the Office of International Trade has adopted the policy of licensing certain commodities for export so that shipments to a particular country do not exceed normal commercial or civilian requirements of that country or normal shipments to that country from United States sources." In addition to this "informal quota" system which had been used during the period of postwar shortages, formal quotas regulate U.S. exports of commodities where the supply situation is more critical. The total export allocations may be divided into quotas for individual countries, and for some commodities the end use criteria established for U.S. domestic uses of the commodity is applied in screening applications for export licenses. In other countries, import controls may be employed as devices to provide assurances of the normal end use of commodities subject to U.S. export control and, more generally, to facilitate allocation of scarce commodities. There are already some indications that controls are being used for this purpose.

Thus, export controls are becoming increasingly important determinants of the composition, volume and direction of international trade. These controls may introduce further trade and price distortions, as well as have some influence on the import control policies of other countries. Although certain countries undergoing inflationary pressures may tend to regard limitations on exports as an attractive means of coping with their problems, they must recognize that decisions to restrict exports in order to make more goods available domestically will affect the ability and willingness of other countries to provide them with imports.

The existence of export controls may require arrangements for the allocation of the affected commodities in the importing countries. However, such arrangements need not mean that existing restrictions on imports have to be increased or even maintained. Indeed, where circumstances permit, restrictions which have been maintained for financial or protectionist reasons might well be relaxed even though the countries previously maintaining them are taking measures to assure desired use of scarce imports or to implement agreements for the distribution of scarce materials. Short of full and general mobilization, in most countries what may roughly be called the civilian sector of the economy will still be important and much international trade will and should still take place on a price basis.

Thus, advantage should be taken of favorable circumstances to remove restrictions that have lost their balance of payments justification. If unnecessary restrictions are retained at the present time, it will be all the more difficult to remove them in the postemergency period. Further, in a world of scarcities induced by rearmament programs, more efficient use of economic resources would be possible as a result of the reduction of restrictions. Although the shift of resources involved might well mean some immediate decline in production, any such costs of transfer would be temporary while the benefits from the more economic use of resources are long-lived. Countries whose balance of payments and reserve positions permit relaxation of restrictions, and particularly the reduction of discrimination, cannot afford to overlook the advantages to be obtained by such action for maximizing efficiency, increasing the supply of goods available for domestic consumption and investment, and obtaining imports as cheaply as possible. Countries undergoing inflationary pressures and accumulating reserves may well have to reconsider the criteria by which they have judged the desirability of certain expenditures on imports and to weigh the relative advantages of obtaining available goods as against conserving reserves for future use.

The Fund recognizes that for many countries security considerations must weigh heavily in determining present international economic policies. It may well be that such considerations will make countries reluctant to relax or remove certain restrictions, and even may be used in certain cases as arguments for the introduction of new restrictions. It must be recognized, however, that most of the restrictions now in force have previously been maintained for balance of payments reasons. In some cases a member may consider such restrictions as still necessary on security grounds but in others the necessity for the restrictions will be found to have disappeared. Indeed, security considerations may make desirable further relaxation of restrictions on the importation of goods of strategic importance, while simultaneously requiring other governmental measures, such as internal allocation. These considerations are essentially independent of balance of payments requirements.

Where rearmament affects the balance of payments and reserves of countries, the implications for restrictions are encompassed in the Fund's general attitude on the conditions under which it believes the relaxation and removal of restrictions would be feasible. Rearmament will undoubtedly affect the degree and pace of relaxation possible under present circumstances. Some countries undoubtedly feel the need for maintaining levels of exchange reserves or even increasing them further to guarantee the financial means to pay for essential imports. While military shipments may well be financed in such a way as not to result in dangerous losses of reserves, this consideration together with the desire to stockpile certain commodities may add to the impediments to the removal of restrictions. Some countries have regarded the rise in world prices as requiring the holding of larger exchange reserves; others have taken it as a reason for buying before further price increases occurred.

The ability and willingness of countries to undertake programs of relaxation of restrictions will also be influenced in many cases by both the content and the degree of success of measures taken to combat inflation. Inflationary pressures usually tend to create balance of payments difficulties which may lead to the use of restrictions, while the extensive use of direct controls to combat inflation may well require greater use of controls over external transactions than if inflation is combated through monetary and fiscal measures. Thus, the Fund attitude on exchange restrictions is closely allied to its attitude on inflation. Vigorous anti-inflationary policies will help create conditions under which countries can achieve the benefits of relaxation of restrictions and reduction of discrimination.

In addition to these problems, there remain other impediments to the removal of restrictions. Important among these are the facts that restrictions generally have protectionist aspects and may be used as bargaining weapons. All possible efforts should be made to effect the removal of restrictions which are unnecessary for financial reasons.

Although restrictions exercised through multiple currency practices have been relaxed in some countries, in a number of others special factors still impede their removal. The retention of multiple rates may be based, in part at least, on considerations other than balance of payments, such as the desire to protect domestic industries, to reduce administrative controls, to check inflationary rises in certain prices through the use of favorable rates, or to raise revenue through exchange taxes. It may be difficult to find alternative sources of government revenue or alternative price policies, but careful consideration must be devoted to their development. Also, there remains a number of countries that still have basic or structural balance of payments difficulties limiting their ability to relax restrictions. Plans for economic development may create special aspects of this problem. Recognizing the difficulties faced by countries and the importance and necessity of developmental programs, the Fund will cooperate and consult with members in working out policies for overcoming their basic difficulties and furthering the achievement of the Fund's objectives.

Fund Activities in the Field of Restrictions

As is noted elsewhere in this Report, the Fund has continued to advise and consult with a number of its member countries on the policies to be pursued in the field of exchange practices. This has involved both Fund review and approval of specific measures, and general advice on a wide range of matters affecting the restrictive policies of member countries. The Fund has sought to encourage members to relax restrictions where this was financially possible and to simplify their restrictive systems. Some progress was achieved during the year, including the simplification of multiple rate structures. In some cases the steps taken were a part of programs involving the readjustment of the par values of countries' currencies. As in past years, the Fund has worked directly with many countries with regard to their multiple currency practices and has sent missions to them for the study and discussion of their problems. Among the countries with which the Fund discussed changes in multiple currency practices have been: Austria, Bolivia, Chile, Colombia, Ecuador, Greece, Iceland, Iran, Nicaragua, Paraguay, the Philippine Republic, Thailand, and Uruguay. In addition, Honduras, effective July 1, 1950, reduced the spread of official exchange rates to within one per cent of parity in conformity with Article IV, Section 3 (i), of the Fund Agreement, and became the first country which ceased to avail itself of the "transitional arrangements" under Article XIV and accepted the obligations of Article VIII.

In December 1950, the United States advised the Fund that it intended to impose restrictions on the making of certain payments and financial transfers within the jurisdiction of the United States which involved China and North Korea and their nationals, with the exception of those portions of China and Korea under the control of Governments of China and Korea recognized by the United States. The United States indicated that the restrictions were not being imposed for economic or financial reasons but to assist the United Nations forces in their struggle against aggression. The Fund took note of the action which the United States intended to take for security purposes, but took no other decision pending study of the question of the jurisdiction of the Fund respecting such actions.

Associated with its work on exchange restrictions are the Fund's relations with the Contracting Parties to the General Agreement on Tariffs and Trade. In the previous Annual Report, it was noted that the Fund was to participate in consultations concerning recent changes in the import policies of Australia, Ceylon, Chile, India, New Zealand, Pakistan, Southern Rhodesia, and the United Kingdom in connection with the Fifth (Torquay) Session of the Contracting Parties. These consultations took place in the autumn of 1950. The Fund submitted to the Contracting Parties a report and a more extensive background paper on each of the countries whose restrictions were under review. The background papers covered the restrictive systems and the balance of payments and presented analyses of the causes and effects of the import restrictions in the light of the existing situation. The reports contained the Fund's conclusions with respect to the import restrictions. The Fund's representatives at Torquay discussed this material with the contracting parties and took part in their deliberations.

In its reports, the Fund reached the conclusion that it would be feasible for Australia, Ceylon, New Zealand, Southern Rhodesia, and the United Kingdom to begin a progressive relaxation of their "hard currency" import restrictions, although this should be undertaken with due caution, having regard to the existing circumstances. Further relaxation of restrictions on dollar imports by Chile, India, and Pakistan did not seem feasible in the light of the then current conditions.

In 1950 the Fund continued to participate in consultations on the import policy of the Union of South Africa. In this connection, it was in contact with the South African officials and reviewed the new South African system which was to go into effect at the beginning of 1951. The changes in the South African system appeared to the Fund to represent a welcome and substantial relaxation of discrimination. However, in the opinion of the Fund, experience with the functioning of the new system in the conditions prevailing after it came into operation was necessary before final judgment could be made. At the time of its review, the Fund also noted that it was in active consultation with South Africa with regard to its exchange restrictions. The Fund therefore felt that, in view of the forthcoming substantial alterations, the submission of a report as originally agreed with the Contracting Parties on the aspects of the South African restrictive system in 1950 would probably be of little interest or practical value to the Contracting Parties. The Fund expressed these views at the Fifth Session of the Contracting Parties, and the Contracting Parties decided to delete from their agenda the consultation on the import policy of the Union of South Africa.

The Fund has continued to cooperate with the Contracting Parties in the matter of special exchange agreements with contracting parties which are not members of the Fund. In February 1951 such agreements came into force with respect to Haiti and Indonesia. These countries have thus accepted obligations in respect of exchange rates and exchange restrictions similar to those contained in the Fund Agreement.

During the formative stages of the European Payments Union, the Fund took part in the formal and informal discussions held among the participating countries of the OEEC in Paris. The Council of the Organization for European Economic Cooperation at its meeting on July 6–7, 1950, approved a document agreeing to the establishment of a European Payments Union. Paragraph 82 of this document, entitled "Relations with the International Monetary Fund," reads as follows:

> The functioning of E.P.U. will be of great interest to the International Monetary Fund of which many participating countries are members, and these countries will be concerned to ensure that obligations incurred by them as Members of the E.P.U. should be consistent with obligations which they may have as members of the International Monetary Fund. Close co-operation and consultation with the International Monetary Fund are desirable, and it will be necessary for the Management Committee to examine and report to the Council what shall be the appropriate relationships.

The Fund and the Managing Board of the EPU have under consideration the nature of the relationship that should be established between them. The Fund is continuing to study the significance of EPU developments for its member countries, including the effects of such arrangements upon the trade and payments positions of Fund members not participating in the EPU.

For the future, the Fund expects that there will be considerable relaxation of restrictions, and looks forward to consultation with its members toward this end. The extent of relaxation possible will vary, with some countries able to remove restrictions completely and restore convertibility, with others able to make substantial progress in these directions, and with others able to do relatively little in the way of relaxation. In general, however, considerable progress should be possible in eliminating discrimination and, in certain cases, there could be substantial steps toward the achievement of convertibility.

Article XIV, Section 4, of the Fund Agreement provides that five years after the Fund began operations, that is, by March 1952, member countries still retaining any restrictions inconsistent with Article VIII, Sections 2, 3 or 4, shall consult the Fund as to their further retention. A new period of Fund activity in the field of restrictions will thus be opened. In the forthcoming consultations, the Fund will give full weight to the needs and problems of its members as well as to the effects of their actions on the international community and to the Fund's objectives as set forth in the Articles of Agreement. These consultations will cover such matters as the adjustment of existing systems of restrictions on current payments to the changed conditions, the removal and relaxation of such restrictions, and, in suitable cases, the working out of measures necessary to overcome financial obstacles to relaxation.

The Fund retains the conviction that, despite strong postwar tendencies toward bilateralism and restrictionism, there is much to be gained from the pursuance of trade and payments liberalization and the reduction of discrimination. The Fund welcomes the increasing signs of widespread recognition of the advantages of such policies. The Fund's hope is that the international approach embodied in the Articles of Agreement may help provide the mechanism through which constructive and enduring steps can be taken to strengthen the recent trends toward liberalization and the reduction of reliance on exchange restrictions.

IV

GOLD POLICY

As noted in last year's Annual Report, the Executive Board, in accordance with a resolution adopted by the Board of Governors at the Fourth Annual Meeting in September 1949, prepared a Report on External Transactions in Gold at Premium Prices. In the recommendations of this report, made public on May 3, 1950, it was stated that there was no reason to change the Fund's gold policy as outlined in its letter addressed to all members on June 18, 1947. The Board of Governors, at the Fifth Annual Meeting in Paris last September, considered the report and took no action to change the Fund's gold policy.

During the year under review, several members of the Fund made inquiries of the Fund regarding contemplated changes in their gold practices, and the Fund on each occasion, in accordance with its policy on Transactions in Gold at Premium Prices, which was communicated to members on June 18, 1947, opposed the introduction of any measures or arrangements that might help to make gold more readily available for premium markets.

In October 1950 and again in March and May 1951, the Canadian Government consulted the Fund with regard to proposed changes in its gold subsidy program. The first proposal was to extend the payment of subsidies to gold mines for another year beyond December 31, 1950, the original expiry date of the Emergency Gold Mining Assistance Act of December 1947, and at the same time to introduce modifications of the subsidy that would reduce both the rate of assistance and the proportion of output eligible for assistance. The proposals in 1951 were to provide for technical changes increasing the proportion of output eligible for assistance. The Fund's Executive Board decided that the modifications of the subsidy were not inconsistent with the Fund's policy. The Canadian subsidy plan is briefly as follows: the number of ounces on which the subsidy will be paid will be based on either the number of ounces produced in the benefit year (1951) in excess of one half of the number produced in 1948, 1949, or 1950 (year to be selected by mines), or one half of the number of ounces produced in the benefit year, whichever is the greater. The rate of assistance per ounce will, in 1951, be equal to half of the difference between $22 per ounce and the actual cost of production of gold from the particular mine. In no case would the bonus exceed $11.50 (that is, half of the difference between $22 and $45).

During the second half of 1950, there was a large increase in the volume of international transactions in gold at premium prices. At the same time there was a noticeable decline in the net amount of world gold production entering official monetary reserves. In the same period there was also a marked increase in the amount of gold purporting to be for consumption for artistic, industrial, and professional use. The Executive Board of the Fund, on March 7, 1951, made the following decision:

> Since the amount of sales and purchases in the world markets of gold for jewelry, artistic and industrial purposes has recently been increasing at a rate indicating that at least a part of it finds its way to private hoards, contrary to the gold policy of the Fund established in June 1947, the Executive Board considers the existing arrangements and practices of several countries, including South Africa, are no longer a satisfactory basis to implement the Fund's gold policy and directs the staff of the Fund urgently to elaborate, after consultation with the countries concerned, more effective methods than the existing ones.

This subject was still under investigation and consideration at the time of writing this Report.

Gold Prices in Free and Black Markets

After having reached new lows for recent years in May and early June 1950, the free market price of gold rose rather sharply in most markets, immediately following the outbreak of hostilities in Korea in June 1950. Subsequently, the price fluctuated under the influence of international political uncertainties. In most markets, the peak prices for the year under review were recorded during the first half of January 1951. Prices in all markets did not fluctuate to the same extent, but as indicated in Chart II, their general level in most markets was higher during the first four months of 1951 than during the preceding year.

In Paris the price of bar gold rose from the equivalent of approximately $38 per ounce on May 26, 1950, to approximately $46 per ounce on July 26, 1950. By October 31, it had declined to about $40, but by January 8, 1951, had risen to approximately $47, and on April 30, 1951, was quoted at approximately $44 per ounce. The price of the Napoleon, which commands a premium over bar gold by the equivalent of approximately $12 per ounce, followed the same trend throughout the year under review.

In Hong Kong bar gold was quoted at the equivalent of approximately $37 per ounce on June 6, 1950, and by the end of the month had advanced to approximately $44 per ounce. During the last half of 1950 and the first four months of 1951, quotations fluctuated erratically between a low of about $38 per ounce on September 30, 1950, and a high of about $51 on January 19, 1951, and on April 30, 1951, was $46 per ounce.

The price at which gold was traded in various markets directly for U.S. dollars in general paralleled the trend of prices in the Paris and Hong Kong markets, but was not as erratic from day

CHART II (a)

U.S. DOLLAR PRICES OF GOLD TRADED
IN VARIOUS MARKETS DIRECTLY FOR U.S. DOLLARS

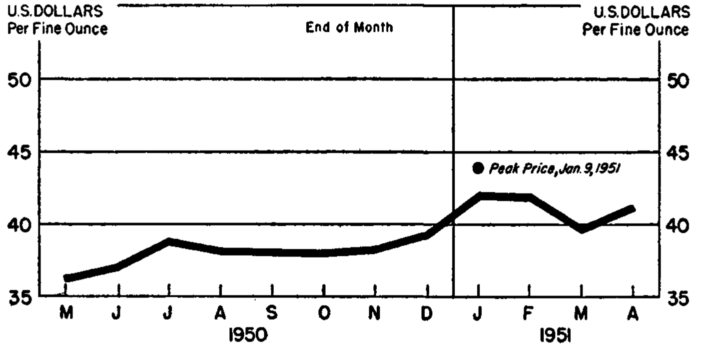
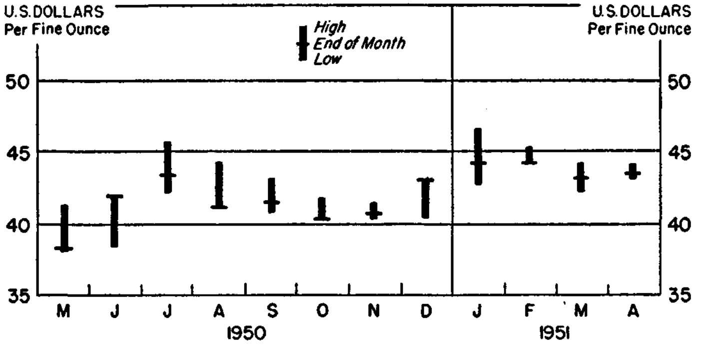


CHART II (b)

PARIS

U.S. DOLLAR EQUIVALENT PRICES OF GOLD BULLION
CONVERSIONS AT PARALLEL MARKET RATES



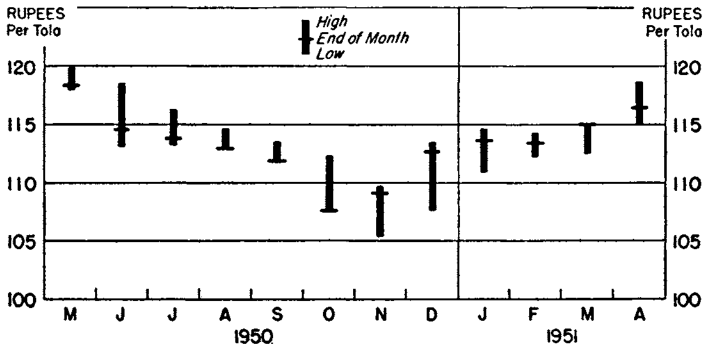
to day. At no time since the outbreak of hostilities in Korea had this price reached the high of $55 obtained in May 1949. There was a gradual increase from about $36 per ounce on May 23, 1950, with the peak price of $44 for two days early in January 1951, at a time when peak prices were reached in all markets. On April 30, 1951, the price was $41 per ounce.

The price of gold in Bombay did not follow the general price trends of other markets, and indeed during the fourth quarter of

Chart II (c)

Bombay

Local Currency Prices of Gold Bullion



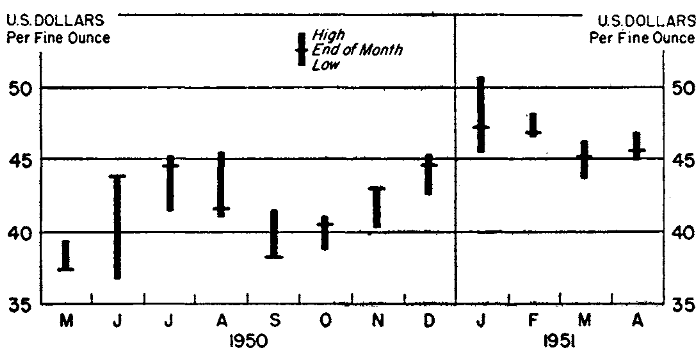
2⅜ Tolas equals one Troy ounce.

Chart II (d)

Hong Kong

U.S. Dollar Equivalent Prices of Gold Bullion

Conversions at Free Market Rates



1950 was slightly depressed. On May 8, 1950, bar gold was quoted at 119 rupees 14 annas per tola. By November 2, it had declined to 105 rupees 5 annas per tola, but by April 30, 1951, had risen to 116 rupees 7 annas per tola. When converted at the official rate of exchange, these quotations are equivalent to approximately US$67, US$59, and US$65 per ounce, respectively.

The increase in the price of gold during the past year reflects in the main the increased preference for gold at a time of great political uncertainty and renewed inflationary pressures. The increase in incomes in some of the countries in which gold is a traditional means of saving and the improvement in their terms of trade and balances of payments may also have added to the demand for gold.

Despite the pressure of demand, prices in premium markets in recent months have not reached the level attained in the year prior to the devaluations of September 1949. Part of the explanation for this appears to lie on the supply side of the market. During the past year sales of gold by South Africa for industrial and artistic purposes increased markedly and a portion of this gold doubtless found its way into premium markets for hoarding purposes. In addition, France and some other countries sold gold from their monetary stocks for the purpose of abating domestic inflationary pressures. These supply factors, in contrast with the corresponding supply situation before the devaluations, are part of the explanation of the markedly lower prices in the more recent period. It seems likely, however, that the lower prices indicate that the demand for gold since the outbreak of war in Korea has been less insistent than it was before the devaluations.

Gold Production

The postwar recovery in the world production of gold continued during 1950. Valued at $35 per ounce, total output (exclusive of the U.S.S.R. and North Korea) was approximately $850 million in 1950 compared with $825 million in 1949 and $740 million in 1945.

Most of the increased output in 1950 was in the United States and Canada. There was no significant change in the sterling area countries which by the devaluations of September 1949 raised their official price of gold by 44 per cent; in two of the most important gold-producing countries in this group, viz., South Africa and Australia, there was indeed a slight decline in output. In South Africa, the main reason why output failed to respond to the rise in price seems to be the policy of the mining companies to mill inferior ore when the price-cost relation becomes more favorable, and thus to prolong the life of the mines. But to a significant extent, the effects of devaluation were also offset by an increase in operating costs, though devaluation has accelerated the development of new mining properties in the Orange Free State.

Gold output in the United States increased for the first time since 1947. This was due mainly to the boom in the production of metals which yield gold as a by-product, and to the fulfillment of investment plans in some mines that had suspended operations during the war. Canadian output has shown a consistent recovery since 1945, which continued in 1950.

Apart from the devaluation and the general rise in prices, several other developments affected the profitability of gold mining during the year. The changes in subsidy arrangements have been referred to above. The rise in the price of gold in premium markets and increased premium sales since June 1950 have brought additional revenue to the gold mining industry, particularly in South Africa, which is, however, highly variable. Thus, the extra revenue from premium sales by the South African mines amounted to roughly 70 cents per ounce of gold produced during the second half of 1950, but to $2 per ounce in the first quarter of 1951.

Despite the steady increase in world gold production since 1945, the current rate of output (outside the U.S.S.R.) is still 25 per cent below the average level of 1937–40 and approximately one third below the peak level of 1940. The sharpest decline is in Asia, where current production is one fourth of the 1940 level, and in Australia and the United States, where it is about one half of the 1940 level. On the other hand, current output in Canada and South Africa is over 80 per cent of the previous peak levels.

Official Gold Reserves

Valued at $35 an ounce, the total stock of gold in the possession of monetary authorities in the world (excluding U.S.S.R. but including stabilization funds and international institutions) is estimated at $35,830 million at the end of 1950, i.e., approximately $420 million more than at the end of 1949. Thus the equivalent of roughly one half of the gold production of 1950 was added to official reserves; the other half was absorbed by industrial or artistic uses or disappeared into private hoards. Most of the increase in official reserves during the year occurred before the Korean War—the increase in the first half of the year was approximately $320 million, compared with only $100 million in the second half. The increase in the price of gold in premium markets and the hoarding wave that followed the outbreak of hostilities in Korea thus meant that the equivalent of more than three fourths of the current gold production went into nonmonetary uses in the second half of 1950 against one fourth in the first half of the year.

V

FUND TRANSACTIONS

THE development of policy respecting the use of the Fund's resources has been affected by the fact that the international payments situation has been very much more distorted and confused than was envisaged for the postwar period at Bretton Woods. The Fund's efforts are now concentrated on the formulation of policy respecting the use of resources in the less disturbed payments situation which it is hoped lies ahead.

The Executive Board has examined the problem from a number of points of view during the year and has approved a proposal designed to ensure that in the present world monetary situation the Fund's resources will be made available to give confidence to members in undertaking practical programs of action to help achieve the purposes of the Fund Agreement. It is contemplated that these programs would be the result of consultations between member countries and the Fund. Particular attention would be given to the formulation of positive steps by a member willing to run greater risks because of the availability of assistance from the Fund. The steps contemplated would be designed to make possible more rapid and significant progress toward the achievement of the Fund's objectives, which include the achievement of monetary stability, the adoption of realistic rates of exchange, the relaxation and removal of restrictions and discrimination, and the simplification of multiple currency practices. Arrangements would be worked out appropriate to the particular situation of the member concerned and intended to ensure that use of the Fund's resources would be temporary. When a program is found acceptable, the member would be assured that the Fund's resources would be available if the implementation of the proposed program required such assistance. This proposal was approved by the Board on May 2, 1951, as a procedure for use in appropriate cases in addition to and without prejudice to existing procedures or policies respecting the use of the resources of the Fund.

During the 1950–51 fiscal year Brazil purchased £10 million sterling from the Fund for cruzeiros. On the other hand, two members made use of their improved reserve position to repurchase for dollars, on a voluntary basis, amounts of their currency from the Fund. Details of these transactions are given in the next section.

Between March 1, 1947, when the Fund commenced operations, and April 30, 1951, the Fund has effected exchange transactions totaling the equivalent of US$805.2 million, on behalf of nineteen members. A summary of these transactions appears in Appendix I.

As the combined result of the payment by Ceylon, Pakistan, and Panama of that part of their subscriptions payable in gold, of adjustments of the subscriptions originally paid on a provisional basis by two other members in gold and their own currency, of repurchase with gold by one member and of the payment of service and other charges in gold, the Fund's holdings of gold increased during the year ended April 30, 1951, from $1,459.5 million to $1,495.0 million. On April 30, 1951, its holdings of currencies, including non-negotiable, non-interest-bearing notes, amounted to the equivalent of $5,628.8 million, of which $1,313.4 million was in U.S. dollars.

At various points of time since the Fund started operations, exchange transactions have raised the Fund's holdings of the currencies of twelve members above their quotas. These members, therefore, became subject to the appropriate charges prescribed in the Fund Agreement. On April 30, 1951, nine members were currently liable to pay these charges to the Fund.

During the year four members with monetary reserves lower than one half of their quotas have availed themselves of the opportunity provided in the Fund Agreement to pay in their own currencies all or part of the Fund's charges that are normally payable in gold. Such payments are accepted provisionally, and are subject to adjustment after the amount of the monetary reserves of the member involved has been determined.

The total of the charges on balances in excess of quota amounted to the equivalent of US$1.9 million in the fiscal year ended April 30, 1950. In the year ended April 30, 1951, which is covered by this Report, the total was about $2.4 million. The increase of income from this source was the result of the higher rates at which these charges are levied as the periods lengthen during which the excess balances are held by the Fund. The total amount of the balances held by the Fund on which charges were payable was somewhat reduced during the year mainly as the combined result of the adjustment in the subscription payments in gold and currency initially made by one member on a provisional basis, and of the sale by the Fund of the currency of a member subject to the payment of those charges.

Under the provisions of the Agreement, a member that has, with the approval of the Fund, changed its par value by depreciating its currency in relation to gold, must pay to the Fund within a reasonable time an amount of its own currency equal to the reduction in the gold value of its currency held by the Fund. Two members who, during the year under review, changed their agreed par values with the Fund made the necessary additional payments in their own currencies to the Fund. In addition, two other members, for whom there has been no agreed change of par value, but the foreign exchange values of whose currencies have been reduced to a significant extent, arranged for supplementary payments of their own currencies to the Fund, in conformity with the relevant provisions of the Agreement.

Repurchases

Reports on monetary reserves as of April 30, 1950, have been received from thirty-seven members. Although frequent reminders have been given, and the Fund's services have been offered to deal with any technical difficulties that may hamper the completion of the monetary reserves report forms, the remaining ten members have not yet submitted monetary reserves information either for April 30, 1950, or for previous years.

During the fiscal year, Egypt discharged repurchase obligations that had been incurred as of April 30, 1948, and April 30, 1949. These payments reduced the Fund's holdings of Egyptian pounds to 75 per cent of Egypt's quota. The repurchase obligation as of April 30, 1949, of which Chile had been notified during the previous fiscal year, has been agreed to by Chile and payment is awaited.[1] Discussions with Peru are still in progress to determine a repurchase obligation as of April 30, 1949. On the basis of data supplied as of April 30, 1950, the Fund has computed repurchase obligations for Lebanon, Mexico, and Norway. The repurchase obligation of Lebanon in the amount of

[1] Payment was received from Chile on June 29, 1951.

$793,412.94 in gold and $62,429.30 in U.S. dollars has been agreed to by Lebanon. The Fund has accepted a Mexican proposal to discharge the repurchase obligation as of April 30, 1950, at the same time that it discharges a repurchase obligation that will accrue as of April 30, 1951.[1] Consultation with Norway is still in progress.

When, during the previous fiscal year, some members tendered U.S. dollars to the Fund in order to reduce the Fund's holdings of their currencies, the question arose whether the Fund had the power to accept the offer of such voluntary repurchase, that is, a repurchase not required by Article V, Section 7 (b), and not covered by any express provision of the Fund Agreement (e.g., Article V, Section 7 (a) or Section 8 (d)). The Executive Board accepted the view that a member ought to be able to terminate, in whole or in part, its use of the Fund's resources, and that the acceptance of gold or convertible currency by the Fund, even though the offer were not under any express provision, would help to maintain the revolving character of its resources. Voluntary repurchases could thus be regarded as promoting the same purpose as the provisions of the Fund's Agreement governing mandatory repurchases. The Fund could, therefore, accept such voluntary repurchases, although it would not, of course, be compelled to do so. By analogy with the repurchase provisions, a voluntary repurchase would not be allowed to reduce the holdings of the repurchasing member's currency below the level of 75 per cent of the quota concerned, or to increase the Fund's holdings of another member's currency beyond 75 per cent of that member's quota. The Fund, moreover, could not accept inconvertible currencies by way of voluntary repurchase, as their acceptance might operate in circumvention of, instead of being complementary to, the express repurchase provisions of the Fund Agreement. If a member had outstanding a repurchase obliga-

[1] Payment was received from Mexico on June 29, 1951.

tion under Article V, Section 7 (b), it must discharge the obligation in accordance with the relevant provisions of the Fund Agreement. However, if currency were payable, the member might pay gold in lieu thereof under Article V, Section 6 (a).

The Executive Board's decision on voluntary repurchases was made on March 8, 1951, in the following terms:

(1) Subject to paragraph (3) below, a member may offer in voluntary repurchase, and the Fund has the power to accept, if it so decides, gold or convertible currencies to the extent that (a) the Fund's holdings of the convertible currency of a member which is offered would not be increased above 75 per cent of the quota of that member, and (b) the Fund's holdings of the repurchasing member's currency would not be decreased below 75 per cent of its quota.

(2) As a matter of legal interpretation it is determined that the consent of the member whose currency is offered in voluntary repurchase is not necessary as a condition precedent to the acceptance by the Fund of such currency.

(3) Where a member has an accrued and undischarged repurchase obligation under Art. V, Sec. 7 (b), and Schedule B in respect of any financial year of the Fund, the member must discharge the obligation in accordance with those provisions; provided, however, that the payment of currency under those provisions may be combined with the sale of gold to the Fund for the currency under Art. V, Sec. 6 (a).

After this decision had been taken, repurchases offered by Costa Rica and Nicaragua in the previous fiscal year, and by Ethiopia in the current year, which had been accepted provisionally, were declared final, with a minor readjustment in the case of Nicaragua. A second voluntary repurchase in U.S. dollars by Ethiopia, and one by the Union of South Africa, were also accepted later in the year.

If there is an increase in the monetary reserves, in the sense of Article XIX (a), of a Fund member which on joining the Fund paid less than 25 per cent of its quota in gold, the member may incur a repurchase obligation irrespective of any previous purchase of currency from the Fund. Two of the repurchase transactions already completed, and some of those still pending, involve, in part or in whole, payments of gold and U.S. dollars to the Fund of this kind.

The repurchase transactions of the Fund, including both mandatory and voluntary repurchases, effected up to April 30, 1951, are shown in the following table in terms of U.S. dollars:

	May 1,1950-April 30, 1951		From beginning of operations until April 30, 1951	
	(in U.S. dollars)			
	Gold	U.S. Dollars	Gold	U.S. Dollars
Belgium			9,460,423.29	12,125,283.46
Costa Rica			77,000.00	2,046,269.64
Egypt	829,766.03	7,678,163.64	829,766.03	7,678,163.64
Ethiopia		600,000.00		600,000.00
Nicaragua				498,676.07
Union of South Africa		9,985,314.69		9,985,314.69

VI

MEMBERSHIP, ORGANIZATION, AND ADMINISTRATION

Membership and Organization

PAKISTAN became a member of the Fund on July 11, 1950, and Ceylon on August 29, 1950, Pakistan with a quota of $100 million, Ceylon with a quota of $15 million. The aggregate of Fund quotas was thus increased to $8,036.5 million and the total number of members to 49. The Fund was notified by the Government of Liberia on August 23, 1950, and by the Government of Haiti on September 1, 1950, that it was not then possible for them to take up membership in the Fund. Their period for acceptance expired on September 30, 1950.

In accordance with the Articles of Agreement, which require that "the Fund shall at intervals of five years review, and if it deems it appropriate propose an adjustment of, the quotas of members," the first quinquennial review of quotas was undertaken in December 1950. After consideration of the matter the Executive Directors decided that, under the current international circumstances, it was difficult to reach a conclusion on the question at that time and therefore looked forward to discussing the question further at as early a date as might be practicable.

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

The Executive Directors of the Fund and their voting power as of April 30, 1951, are shown in Appendix IV. Changes in membership of the Executive Board during the year are shown in Appendix V.

On May 5, 1951, Mr. Camille Gutt completed his five-year term of service as Managing Director and Chairman of the Executive Board, having declined for personal reasons the unanimous offer made by the Executive Directors to extend his contract for a period of three years until the age of seventy. In submitting their Annual Report to the Board of Governors, the Executive Directors, as on the occasion of his retirement, record their recognition of Mr. Gutt's distinguished participation in the establishment of the Fund as Vice Chairman of the Bretton Woods Conference and as Governor at the Inaugural Meeting at Savannah, and their appreciation of his wise conduct of the affairs of the Fund during its first five years, of his clear-sighted statesmanship in the field of international finance, and of the invaluable service he rendered to the Fund and its members.

On April 10, 1951, the Executive Board appointed Mr. Ivar Rooth, formerly Governor of the Sveriges Riksbank, to succeed Mr. Gutt as Managing Director and Chairman of the Executive Board. Mr. Rooth had not assumed his duties at the time this Report was written but is expected to take office early in August 1951.

Relations with Members

In the past year staff representatives visited twenty-nine member countries to confer with members on their exchange and monetary situation, or to exchange views on methods and techniques, or to furnish technical assistance. The major consultations with members are referred to elsewhere in this Report in connection with the exchange measures taken by certain members. These consultations between a member's monetary authorities and a Fund mission with broad terms of reference are a normal method of collaboration in the formulation of policies. Through such consultations the Fund is able to obtain a direct, specific understanding of a situation and so be in a position to help in an equally specific sense. It is envisaged that the Fund will be increasingly conferring with its members in the coming year, both in connection with the availability of its resources in giving confidence to members in undertaking practical programs of action and with respect to the relaxation or removal of restrictions.

In the broad fields of technical cooperation the availability in the Fund of experts on national economies and economic techniques is appreciated by many members and there have been numerous requests for assistance. The Fund for its part has readily placed its technical resources at the service of its members since its inception, and believes that the usefulness to its members of these technical services will progressively increase. In developing and recruiting the staff the Fund has always borne the importance of technical cooperation in mind and every effort will be made to meet expanding requirements in this area of its activities.

Members of the staff on technical assignments in member countries in the past year have prepared reports and recommendations on a wide range of financial and exchange problems. Supported by preparatory studies in the Fund based on the comprehensive documentation which has been gathered on each member's economy and finances, these surveys have covered the process of inflation in particular countries, the monetary and financial aspects of development programs, credit and fiscal policies, policy and operational changes in central and commercial banking, exchange system reforms, reorganization of foreign exchange controls and establishment of foreign exchange budgets. The countries to which such technical missions have been sent include Colombia, Chile, Greece, Iceland, Nicaragua, Paraguay, and the Philippines. Members of the staff have also visited many other countries on projects which, though smaller in range, have been valuable in improving methods and techniques.

Relations with Other International Organizations

The Fund and the International Bank for Reconstruction and Development continue to work together on their common problems and to make use of the opportunities for combined arrangements which are provided by their related areas of activity and responsibility and their joint headquarters. The Fund is also in close relationship with the Contracting Parties to the General Agreement on Tariffs and Trade (GATT). Consultations under the GATT have been reported in an earlier chapter.

The Fund has also cooperated actively with other international and regional organizations. Its representatives have participated in meetings of the United Nations General Assembly, the Economic and Social Council, the Economic Commissions for Asia and the Far East, for Europe and for Latin America, the Heads of Specialized Agencies and of the UN meeting as the Administrative Committee on Coordination, and a number of subordinate and technical commissions of these bodies. It has also been represented at the Tenth Session of the Food and Agriculture Organization and the Annual General Meeting of the Bank for International Settlements, and through its technical representative in Europe contact has been maintained with the Organization for European Economic Cooperation.

The General Assembly of the United Nations in November 1950 agreed that, if the Security Council failed to act on matters involving the maintenance of peace and security, the Assembly had the power to do so. The Economic and Social Council at its February 1951 session recommended that the UN Secretariat and the various specialized agencies having agreements with the United Nations explore what new arrangements might be called for as a result of this resolution. In response to this, discussions are currently proceeding with the United Nations.

The Fund assigned two members of its staff to assist the United Nations Commissioner in Libya on currency, banking and financial problems. A progress report was submitted by them late in 1950, designed to direct the attention of the United Nations and of the governments immediately concerned to the whole range of Libya's financial deficiencies and to the interrelationship between Libya's currency problem and its other financial problems. After a series of consultations ending with a meeting of experts representing the United Kingdom, France, Italy, Egypt, and the United States, the Fund staff members were able to make recommendations to the UN Commissioner on the basis of an integrated approach to Libya's financial problems and with the assurance that they were for the most part acceptable to these governments.

The Fund has continued to prepare studies in the financial and monetary field for the use of several agencies of the United Nations, including the regional economic commissions, and to assign members of the staff to participate in meetings, joint working parties, missions, and study groups.

Training Program

The initiation of the Fund's general and specialized training programs was reported last year. There is a world-wide shortage of competent technicians in the monetary and economic field and the shortage is particularly acute in the countries where the need for coordinated technical assistance is most keenly felt. The Fund's training programs provide for a six months' specialized course in balance of payments techniques designed to improve the technical competence of officials of member governments in the preparation, analysis, and presentation of balance of payments data; and a twelve months' general course designed to give qualified young nationals of member countries a broad knowledge of the policies, functions, and operations of the Fund as well as technical training in the interpretation of monetary and economic data. The establishment of the programs was announced in May 1950, and a number of members were invited to submit candidates. Five candidates, from India, Iran, Nicaragua, Paraguay, and the Philippines, were selected for the first course of the Balance of Payments Program, which began in September 1950, and five candidates, from Brazil, Pakistan, Honduras, Thailand, and Egypt, for the second, which began in March 1951. For the first course of the General Training Program, which began in January 1951, candidates were selected from Bolivia, Chile, Guatemala, Honduras, India, Iran, the Philippines, El Salvador, Syria, and Thailand.

Although it is too early to measure the success of these programs, the experience so far gained justifies the expectation that in the near future, and increasingly in the long run, member countries will benefit from the additional experience that some of their nationals are thus able to gain, while the Fund for its part will benefit from their understanding of its functions and their ability to apply its techniques.

Information

In addition to the Fifth Annual Report and the Second Annual Report on Exchange Restrictions to the Members and Governors, there was published in the year under review the first issue of *Direction of International Trade,* which is prepared jointly by the Fund and the International Bank for Reconstruction and Development, and printed and distributed by the United Nations. It is issued monthly and reports in terms of U.S. dollars detailed figures of the trade of ninety-two countries. The second *Balance of Payments Yearbook* was published in July 1950 and the third was in the press as this Report was being written. The first volume of *Staff Papers* was completed with the issue of the second and third numbers in September 1950 and April 1951. The monthly statistical bulletin, *International Financial Statistics,* and the weekly review of current financial news, *International Financial News Survey,* continue to be widely distributed.

Administration

At the end of the fiscal year, the total number of staff, including staff members on leave without pay and military leave, was 456, composed of nationals of 36 countries. Of this number 47 held temporary appointments. During the year 98 appointments were made of nationals of 22 countries, the net increase in staff for the year being 15.

An administrative budget for the period May 1, 1951, to April 30, 1952, as approved by the Executive Directors, is presented in Appendix VI, to which there is attached a tabulation setting forth a comparison with the budget and actual expenditures for the fiscal year 1951. A comparative statement of the Fund's income is presented in Appendix VI.

Audited financial statements of the Fund's Retirement Fund are presented in Appendix VII. The Retirement Plan was amended in June 1950, to reduce the vesting period from five years to three years, and in October 1950, to provide for the inclusion of Executive Directors and Alternate Executive Directors in the Plan.

Upon the request of the Executive Board the Governments of Belgium, Brazil, and India, respectively, nominated the following members of the Audit Committee: Mr. Charles Vercruysse, Inspector General, National Bank of Belgium, and Chief of the Accounting Department, Mr. Joao Candido Andrade Dantas, Deputy Manager of the Exchange Department, Bank of Brazil, and Mr. G. S. Rau, Director of Audits and Accounts, Office of the Comptroller and Auditor General of India. The report of the Committee is submitted separately. The Auditors' Certificate, with the audited balance sheet as of April 30, 1951, and the audited statement of income and expenditure, with supporting schedules, are presented in Appendix VII.

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APPENDICES

APPENDIX I

SUMMARY OF FUND TRANSACTIONS

from the beginning of operations
to April 30, 1951
(In Millions of U.S. Dollars)

Country 1	Currency purchased by member against own currency 2	Member's currency sold by Fund to other members for their currency or gold 3	Member's currency re-purchased by member with convertible currency or gold 4	Member's currency used for re-purchases by other members 5	Effect of operations on Fund's currency holdings (Columns 2 & 5 minus 3 & 4) 6	Fund's holdings of members' currencies on Apr. 30, 1951, expressed as percentage of quota 7
AUSTRALIA	20.0				20.0	106
AUSTRIA						—
BELGIUM	33.0	11.4	21.6		—	75
BOLIVIA						—
BRAZIL	65.5				65.5	119
CANADA						75
CEYLON						—
CHILE	8.8				8.8	100
CHINA						—
COLOMBIA						75
COSTA RICA	1.2		2.1		—0.9	75
CUBA						75
CZECHOSLOVAKIA	6.0				6.0	103
DENMARK	10.2				10.2	106
DOMINICAN REPUBLIC						75
ECUADOR						75
EGYPT	3.0		8.5		—5.5	75
EL SALVADOR						75
ETHIOPIA	0.6		0.6		0.0	99

FINLAND						—
FRANCE	125.0				125.0	103
GREECE						—
GUATEMALA						75
HONDURAS						75
ICELAND						75
INDIA	100.0				100.0	118
IRAN						75
IRAQ						100
ITALY						—
LEBANON						94
LUXEMBOURG						95
MEXICO	22.5				22.5	100
NETHERLANDS	75.4				75.4	102
NICARAGUA	0.5		0.5		0.0	75
NORWAY	9.5				9.5	94
PAKISTAN						96
PANAMA						75
PARAGUAY						75
PERU						87
PHILIPPINE REPUBLIC						75
SYRIA						97
THAILAND						—
TURKEY	5.0				5.0	87
UNION OF SOUTH AFRICA	10.0		10.0		0.0	75
UNITED KINGDOM	300.0	34.0			266.0	102
UNITED STATES		766.0		32.9	—733.1	48
URUGUAY						—
VENEZUELA						75
YUGOSLAVIA	9.0				9.0	102
	805.2	811.4[1]	43.3[2]	32.9	—16.6	

[1] $805.2 million sold for currency and $6.2 million for gold.

[2] $32.9 million repurchased with convertible currency and $10.4 million with gold.

APPENDIX II

MEMBERSHIP, QUOTAS, GOVERNORS, AND VOTING POWER

as of April 30, 1951

	QUOTA			VOTES	
Member	Amount (000,000's)	Per Cent of Total	Governor *Alternate*	Number[1]	Per Cent of Total
Australia	$200.0	2.49	Arthur William Fadden *N. J. O. Makin*	2,250	2.43
Austria	50.0	0.62	Hans Rizzi *Franz Stoeger-Marenpach*	750	0.81
Belgium	225.0	2.80	Maurice Frere *Hubert Ansiaux*	2,500	2.70
Bolivia	10.0	0.12	Hector Ormachea Zalles *Jaime Gutierrez Guerra*	350	0.38
Brazil	150.0	1.87	Eugenio Gudin *Octavio Paranagua*	1,750	1.89
Canada	300.0	3.73	Douglas Charles Abbott *Graham F. Towers*	3,250	3.51
Ceylon	15.0	0.19	J. R. Jayawardene *John Exter*	400	0.43
Chile	50.0	0.62	Arturo Maschke *Fernando Illanes*	750	0.81
China	550.0	6.84	Chia Kan Yen *Te-Mou Hsi*	5,750	6.21
Colombia	50.0	0.62	Emilio Toro *Ignacio Copete-Lizarralde*	750	0.81
Costa Rica	5.0	0.06	Angel Coronas *Mario Fernandez*	300	0.32

Cuba	50.0	0.62	Felipe Pazos *Jose Antonio Guerra*	750	0.81
Czechoslovakia	125.0	1.56	Bohumil Sucharda *Pavel Eisler*	1,500	1.62
Denmark	68.0	0.85	Svend Nielsen *Einar Dige*	930	1.00
Dominican Republic	5.0	0.06	Jesus Maria Troncoso *Milton Messina*	300	0.32
Ecuador	5.0	0.06	Guillermo Perez-Chiriboga *Hernan Escudero-Moscoso*	300	0.32
Egypt	60.0	0.75	Ahmed Zaki Saad Pasha *Mahmoud Saleh El Falaki Bey*	850	0.92
El Salvador	2.5	0.03	Catalino Herrera *Manuel Melendez V.*	275	0.30
Ethiopia	6.0	0.07	Jack Bennett *Ato Menassie Lemma*	310	0.33
Finland	38.0	0.47	Sakari Tuomioja *Klaus Waris*	630	0.68
France	525.0	6.53	Pierre Mendes-France *Wilfrid Baumgartner*	5,500	5.94
Greece	40.0	0.50	Xenophon Zolotas *Alexander Couclelis*	650	0.70
Guatemala	5.0	0.06	Manuel Noriega Morales *Leonidas Acevedo*	300	0.32
Honduras	0.5	0.01	Marco Antonio Batres *Roberto Ramirez*	255	0.28
Iceland	1.0	0.01	Asgeir Asgeirsson *Thor Thors*	260	0.28
India	400.0	4.98	Sir Chintaman D. Deshmukh *Sir B. Rama Rau*	4,250	4.59

APPENDIX II (*Continued*)
MEMBERSHIP, QUOTAS, GOVERNORS, AND VOTING POWER
as of April 30, 1951

Member	QUOTA Amount (000,000's)	QUOTA Per Cent of Total	Governor / *Alternate*	VOTES Number[1]	VOTES Per Cent of Total
Iran	$ 35.0	0.44	Ibrahim Zend *Mocharraf Naficy*	600	0.65
Iraq	8.0	0.10	Abdul Karim Al-Uzri *Salih Haider*	330	0.36
Italy	180.0	2.24	Giuseppe Pella *Ugo La Malfa*	2,050	2.21
Lebanon	4.5	0.06	Georges Hakim *Joseph Oughourlian*	295	0.32
Luxembourg	10.0	0.12	Pierre Dupong *Hugues Le Gallais*	350	0.38
Mexico	90.0	1.12	Carlos Novoa *Raul Martinez-Ostos*	1,150	1.24
Netherlands	275.0	3.42	P. Lieftinck *M. W. Holtrop*	3,000	3.24
Nicaragua	2.0	0.02	Guillermo Sevilla Sacasa *Rafael Angel Huezo*	270	0.29
Norway	50.0	0.62	Gunnar Jahn *Christian Brinch*	750	0.81
Pakistan	100.0	1.24	Ghulam Mohammed *Amjad Ali*	1,250	1.35
Panama	0.5	0.01	Rodolfo F. Herbruger *Julio E. Heurtematte*	255	0.28

Paraguay	3.5	0.04	Juan R. Chaves *Victor A. Pane*	285	0.31
Peru	25.0	0.31	Clemente de Althaus *Emilio G. Barreto*	500	0.54
Philippine Republic	15.0	0.19	Miguel Cuaderno, Sr. *Emilio Abello*	400	0.43
Syria	6.5	0.08	Henry Raad *George J. Tomeh*	315	0.34
Thailand	12.5	0.16	Prince Viwat *Kajit Kasemsri*	375	0.40
Turkey	43.0	0.54	Nurullah Esat Sumer *Nail Gidel*	680	0.73
Union of South Africa	100.0	1.24	Nicolaas Christiaan Havenga *John Edward Holloway*	1,250	1.35
United Kingdom	1,300.0	16.18	Hugh Gaitskell *Sir Ernest Rowe-Dutton*	13,250	14.31
United States	2,750.0	34.22	John W. Snyder *James E. Webb*	27,750	29.96
Uruguay	15.0	0.19	Fermin Silveira Zorzi *Mario La Gamma Acevedo*	400	0.43
Venezuela	15.0	0.19	J. J. Gonzalez Gorrondona *Felix Miralles*	400	0.43
Yugoslavia	60.0	0.75	Marijan Dermastia *Ugo Zunjevic*	850	0.92
	$8,036.5	100.00		92,615	100.00[2]

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

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APPENDIX III

CHANGES IN MEMBERSHIP OF THE BOARD OF GOVERNORS

Changes in the membership of the Board of Governors between May 1, 1950, and April 30, 1951, have been as follows:

Marco Antonio Batres succeeded Rafael Heliodoro Valle as Governor for Honduras July 7, 1950.

Roberto Ramirez succeeded Rene Cruz as Alternate Governor for Honduras July 7, 1950.

Ghulam Mohammed appointed as Governor for Pakistan July 15, 1950.

Ato Menassie Lemma appointed as Alternate Governor for Ethiopia July 25, 1950.

Amjad Ali appointed as Alternate Governor for Pakistan July 25, 1950.

Sir B. Rama Rau succeeded N. Sundaresan as Alternate Governor for India August 2, 1950.

Nail Gidel succeeded Bulent Yazici as Alternate Governor for Turkey August 2, 1950.

Hernan Escudero-Moscoso succeeded Pedro L. Nunez as Alternate Governor for Ecuador August 8, 1950.

Ibrahim Zend succeeded Abol Hassan Ebtehaj as Governor for Iran August 17, 1950.

Carlos Novoa succeeded Ramon Beteta as Governor for Mexico August 24, 1950.

Raul Martinez-Ostos succeeded Carlos Novoa as Alternate Governor for Mexico August 24, 1950.

J. R. Jayawardene appointed as Governor for Ceylon August 28, 1950.

John Exter appointed as Alternate Governor for Ceylon August 28, 1950.

Bohumil Sucharda succeeded Leopold Chmela as Governor for Czechoslovakia August 31, 1950.

George J. Tomeh succeeded Husni A. Sawwaf as Alternate Governor for Syria September 1, 1950.

Henry Raad succeeded Faiz El-Khouri as Governor for Syria September 2, 1950.

Sir Frank Keith Officer succeeded Arthur William Fadden as Governor for Australia September 6, 1950.

S. G. McFarlane succeeded N. J. O. Makin as Alternate Governor for Australia September 6, 1950.

Arthur William Fadden succeeded Sir Frank Keith Officer as Governor for Australia September 20, 1950.

N. J. O. Makin succeeded S. G. McFarlane as Alternate Governor for Australia September 20, 1950.

Hugh Gaitskell succeeded Sir Stafford Cripps as Governor for the United Kingdom October 25, 1950.

Holger Koed, Governor for Denmark, died November 9, 1950.

Gunnar Jahn reappointed as Governor for Norway January 1, 1951.

Christian Brinch succeeded Ole Colbjornsen as Alternate Governor for Norway January 1, 1951.

Svend Nielsen appointed as Governor for Denmark January 12, 1951.

Abdul Karim Al-Uzri succeeded Abdullah Ibrahim Bakr as Governor for Iraq January 24, 1951.

Salih Haider succeeded Abdul-Ghani Al-Dalli as Alternate Governor for Iraq January 24, 1951.

Ahmed Zaki Saad Pasha reappointed as Governor for Egypt February 10, 1951.

Mahmoud Saleh El Falaki Bey reappointed as Alternate Governor for Egypt February 10, 1951.

P. Lieftinck reappointed as Governor for the Netherlands March 1, 1951.

Angel Coronas reappointed as Governor for Costa Rica March 9, 1951.

Mario Fernandez reappointed as Alternate Governor for Costa Rica March 9, 1951.

Eugenio Gudin succeeded Francisco Alves dos Santos-Filho as Governor for Brazil March 20, 1951.

Graham F. Towers reappointed as Alternate Governor for Canada March 27, 1951.

Jesus Maria Troncoso reappointed as Governor for the Dominican Republic March 27, 1951.

Pierre Dupong reappointed as Governor for Luxembourg March 27, 1951.

Hugues Le Gallais reappointed as Alternate Governor for Luxembourg March 27, 1951.

Emilio Toro reappointed as Governor for Colombia March 30, 1951.

Einar Dige reappointed as Alternate Governor for Denmark March 30, 1951.

Thor Thors reappointed as Alternate Governor for Iceland March 30, 1951.

Xenophon Zolotas reappointed as Governor for Greece April 4, 1951.

Sir Chintaman D. Deshmukh reappointed as Governor for India April 5, 1951.

Te-Mou Hsi reappointed as Alternate Governor for China April 9, 1951.

Milton Messina succeeded Ambrosio Alvarez Aybar as Alternate Governor for the Dominican Republic April 12, 1951.

Emilio G. Barreto reappointed as Alternate Governor for Peru April 12, 1951.

Pierre Mendes-France reappointed as Governor for France April 13, 1951.

APPENDIX IV

EXECUTIVE DIRECTORS AND VOTING POWER
as of April 30, 1951

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Per Cent of Total
APPOINTED				
Frank A. Southard, Jr. *John S. Hooker*	United States	27,750	27,750	30.46
Sir George Bolton *The Hon. A. M. Stamp*	United Kingdom	13,250	13,250	14.54
Beue Tann *Kuo-Hwa Yu*	China	5,750	5,750	6.31
Jean de Largentaye *Francois Bizard*	France	5,500	5,500	6.04
J. V. Joshi *D. S. Savkar*	India	4,250	4,250	4.66
ELECTED				
Octavio Paranagua (Brazil) *Walter Blomeyer (Brazil)*[2]	Bolivia	350		
	Brazil	1,750		
	Chile	750		
	Dominican Republic	300		
	Honduras	255		
	Nicaragua	270		
	Paraguay	285		
	Peru	500		
	Uruguay	400	4,860	5.33
Raul Martinez-Ostos (Mexico) *Javier Marquez (Mexico)*	Colombia	750		
	Costa Rica	300		
	Cuba	750		
	Ecuador	300		
	El Salvador	275		
	Guatemala	300		
	Mexico	1,150		
	Panama	255		
	Venezuela	400	4,480	4.92
Ernest de Selliers (Belgium) *Jean C. Godeaux (Belgium)*	Belgium	2,500		
	Denmark	930		
	Finland	630		
	Luxembourg	350	4,410	4.84

EXECUTIVE DIRECTORS AND VOTING POWER
as of April 30, 1951

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Per Cent of Total
Ahmed Zaki Saad Pasha (Egypt) *Mahmoud Saleh El Falaki Bey (Egypt)*	Egypt	850		
	Ethiopia	310		
	Iran	600		
	Iraq	330		
	Lebanon	295		
	Pakistan	1,250		
	Philippine Republic	400		
	Syria	315	4,350	4.77
J. W. Beyen (Netherlands) *H.M.H.A. van der Valk (Netherlands)*	Netherlands	3,000		
	Norway	750	3,750	4.12
Louis Rasminsky (Canada) *J. F. Parkinson (Canada)*	Canada	3,250		
	Iceland	260	3,510	3.85
L. G. Melville (Australia) *L. H. E. Bury (Australia)*	Australia	2,250		
	Union of South Africa	1,250	3,500	3.84
Guido Carli (Italy) *Giorgio Cigliana-Piazza (Italy)*	Austria	750		
	Greece	650		
	Italy	2,050	3,450	3.79
Nenad Popovic (Yugoslavia) *D. W. Rajapatirana (Ceylon)*	Ceylon	400		
	Thailand	375		
	Turkey	680		
	Yugoslavia	850	2,305	2.53
			91,115[3]	100.00

[1] Voting power varies on certain matters with use by members of Fund resources.
[2] Mr. Blomeyer resigned on April 30, 1951. He was succeeded on May 1, 1951 by Herculano Borges da Fonseca of Brazil.
[3] This total does not include the votes of Czechoslovakia since this country did not participate in the Third Regular Election of Executive Directors.

APPENDIX V

CHANGES IN MEMBERSHIP OF THE EXECUTIVE BOARD

Changes in the membership of the Executive Board between May 1, 1950, and April 30, 1951, have been as follows:

Jean C. Godeaux was appointed Alternate Executive Director to Ernest de Selliers, May 1, 1950.

Beue Tann was appointed Executive Director for China, succeeding Yee-Chun Koo, June 22, 1950.

Tsoo Whe Chu was appointed Alternate Executive Director to Beue Tann, July 11, 1950.

The Honorable Arthur Maxwell Stamp served as Temporary Alternate Executive Director to Sir George Bolton from September 7, 1950 through September 13, 1950.

Y. L. Chang served as Temporary Alternate Executive Director to Beue Tann from September 16, 1950 through September 30, 1950.

Carlos A. D'Ascoli, Executive Director for Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Mexico, Panama and Venezuela, completed his term of office October 31, 1950.

Hector Santaella completed his term of office as Alternate Executive Director to Carlos A. D'Ascoli October 31, 1950.

S. G. McFarlane, Executive Director for Australia and the Union of South Africa, completed his term of office October 31, 1950.

Bohumil Sucharda, Executive Director for Czechoslovakia, Finland and Yugoslavia, completed his term of office October 31, 1950.

Mihailo Kolovic completed his term of office as Alternate Executive Director to Bohumil Sucharda October 31, 1950.

J. W. Beyen was reelected Executive Director by the Netherlands and Norway, effective November 1, 1950.

Guido Carli was reelected Executive Director by Austria, Greece and Italy, effective November 1, 1950.

Giorgio Cigliana-Piazza was reappointed Alternate Executive Director to Guido Carli November 1, 1950.

Raul Martinez-Ostos was elected Executive Director by Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Mexico, Panama and Venezuela, effective November 1, 1950.

Rodrigo Facio was appointed Alternate Executive Director to Raul Martinez-Ostos November 1, 1950.

Leslie Galfreid Melville was elected Executive Director by Australia and the Union of South Africa, effective November 1, 1950.

J. M. Garland, formerly Alternate Executive Director to S. G. McFarlane, was appointed Alternate Executive Director to Leslie Galfreid Melville November 1, 1950.

Octavio Paranagua was reelected Executive Director by Bolivia, Brazil, Chile, Dominican Republic, Honduras, Nicaragua, Paraguay, Peru and Uruguay, effective November 1, 1950.

Nenad Popovic was elected Executive Director by Ceylon, Thailand, Turkey and Yugoslavia, effective November 1, 1950.

Louis Rasminsky was reelected Executive Director by Canada and Iceland, effective November 1, 1950.

J. F. Parkinson was reappointed Alternate Executive Director to Louis Rasminsky November 1, 1950.

Ahmed Zaki Saad Pasha completed his term of office as Executive Director representing Egypt, Ethiopia, Iran, Iraq, Lebanon, Philippine Republic, Syria and Turkey October 31, 1950, and was elected Executive Director by Egypt, Ethiopia, Iran, Iraq, Lebanon, Pakistan, Philippine Republic and Syria, effective November 1, 1950.

D. S. Savkar was reappointed Alternate Executive Director to J. V. Joshi November 1, 1950.

Ernest de Selliers completed his term of office as Executive Director representing Belgium, Denmark and Luxembourg October 31, 1950, and was elected Executive Director by Belgium, Denmark, Finland and Luxembourg, effective November 1, 1950.

W. D. Gunaratna was appointed Alternate Executive Director to Nenad Popovic November 10, 1950.

Guy de Lavergne resigned as Alternate Executive Director to Jean de Largentaye November 18, 1950.

Francois Bizard was appointed Alternate Executive Director to Jean de Largentaye, succeeding Guy de Lavergne, November 28, 1950.

Tsoo Whe Chu resigned as Alternate Executive Director to Beue Tann January 2, 1951.

Kuo-Hua Yu was appointed Alternate Executive Director to Beue Tann, succeeding Tsoo Whe Chu, January 3, 1951.

Leslie Kenneth O'Brien served as Temporary Alternate Executive Director to Sir George Bolton from January 5, 1951 through January 22, 1951.

Rodrigo Facio resigned as Alternate Executive Director to Raul Martinez-Ostos February 9, 1951.

R. M. Keith served as Temporary Alternate Executive Director to Louis Rasminsky September 30, 1950 and from February 19, 1951 through March 21, 1951.

J. M. Garland resigned as Alternate Executive Director to Leslie Galfreid Melville March 11, 1951.

L. H. E. Bury was appointed Alternate Executive Director to Leslie Galfreid Melville, succeeding J. M. Garland, March 12, 1951.

Leslie Frederick Crick resigned as Alternate Executive Director to Sir George Bolton March 15, 1951.

The Honorable Arthur Maxwell Stamp was appointed Alternate Executive Director to Sir George Bolton, succeeding Leslie Frederick Crick, March 16, 1951.

W. D. Gunaratna resigned as Alternate Executive Director to Nenad Popovic April 6, 1951.

D. W. Rajapatirana was appointed Alternate Executive Director to Nenad Popovic, succeeding W. D. Gunaratna, April 9, 1951.

Javier Marquez was appointed Alternate Executive Director to Raul Martinez-Ostos, succeeding Rodrigo Facio, effective April 12, 1951.

Frank A. Southard, Jr. was reappointed Executive Director for the United States April 13, 1951.

Walter Blomeyer resigned as Alternate Executive Director to Octavio Paranagua April 30, 1951.

Herculano Borges da Fonseca was appointed Alternate Executive Director to Octavio Paranagua, succeeding Walter Blomeyer, effective May 1, 1951.

APPENDIX VI (i)

ADMINISTRATIVE BUDGET

Letter of Transmittal

July 12, 1951

My dear Mr. Chairman:

The administrative budget of the Fund for the Fiscal Year ending April 30, 1952, as approved by the Board of Executive Directors, is presented for the information of the Board of Governors in accordance with Section 20 of the By-Laws.

The presentation includes the actual experience for the Fiscal Year 1949-50, the budget and actual expenditures for the Fiscal Year 1950-51 as compared with the administrative budget for the Fiscal Year 1951-52.

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

Yours sincerely,
/s/
A. N. Overby
Acting Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

APPENDIX VI (ii)

ADMINISTRATIVE BUDGET FISCAL YEAR ENDING APRIL 30, 1953

As Approved by the Executive Board
Compared with the Actual Expenditures
of Fiscal Years 1949-50 and 1950-51

Category of Expenditures	Actual Expenditures F.Y. 1949-50	F.Y. 1950-51		Budget F.Y. 1951-52
		Budget	Actual Expenditures	
Personal Services	$2,552,663.46	$2,858,815.00	$2,843,013.26	$3,171,163.00
Contributions to Retirement Plan and Other Benefits	242,141.10	377,500.00	367,246.75	333,600.00
Travel	296,059.90	342,500.00	340,600.01	343,750.00
Communications	151,040.62	110,100.00	105,725.18	122,352.00
Office Occupancy Expense	385,387.39	389,600.00	381,313.47	411,469.00
Books and Printing	115,527.83	159,100.00	133,775.95	161,386.00
Supplies and Equipment	97,811.08	103,500.00	75,030.28	119,225.00
Meetings of the Board of Governors	100,941.98	230,900.00	225,180.82	119,325.00
Miscellaneous	29,255.18	132,300.00	125,370.24	48,180.00
Total Administrative Expense	$3,970,828.54	$4,704,315.00	$4,597,255.96	$4,830,450.00[1]

[1] Includes $21,643 for liquidation of prior year commitments.

APPENDIX VI (iii)

COMPARATIVE STATEMENT OF INCOME

Values expressed in United States dollars on the basis of established parities

INCOME:	Year ended Apr. 30, 1949	Year ended Apr. 30, 1950	Year ended Apr. 30, 1951
Service Charges			
Received in gold	$ 895,787.88	$ 343,500.00	$ 210,000.00
Received in members' currencies		45,000.00	
Total	$ 895,787.88	$ 388,500.00	$ 210,000.00
Charges on Fund's holdings of members' currencies and securities in excess of quotas			
Received in gold	$ 485,864.38	$1,246,542.25	$1,551,311.89
Received in members' currencies	412,007.12	672,282.82	888,866.14
Outstanding			8,536.19
Total	$ 897,871.50	$1,918,825.07	$2,448,714.22
Sales of Fund's Publications	$ 6,490.52	$ 13,076.67	$ 12,922.28
Miscellaneous Income	806.71	638.23	235.98
TOTAL INCOME	$1,800,956.61	$2,321,039.97	$2,671,872.48
TOTAL ADMINISTRATIVE EXPENDITURE	$3,815,436.07	$3,970,828.54	$4,597,255.96

APPENDIX VII (i)

BALANCE SHEET, STATEMENT OF INCOME AND EXPENDITURE AND SUPPORTING SCHEDULES

Letter of Transmittal

July 12, 1951

My dear Mr. Chairman:

In accordance with Section 20 (b) of the By-Laws of the Fund, I have the honor to submit for the consideration of the Board of Governors a balance sheet and statement of income and expenditure of the Fund for the year ended April 30, 1951, together with the Auditors' Certificate, as well as audited financial statements of the Staff Retirement Fund.

In conformity with the By-Laws, the external audit of the Fund has been performed by an Audit Committee consisting of auditors nominated by three member countries. At the Fund's request, Belgium, Brazil and India nominated auditors to serve on this Committee. They respectively nominated Mr. Charles Vercruysse, Inspector General of the National Bank of Belgium and Chief of the Accounting Department; Mr. Joao Candido Andrade Dantas, Deputy Manager of the Exchange Department of the Bank of Brazil; and Mr. G. S. Rau, Director of Audit and Accounts, Office of the Comptroller and Auditor General of India. The auditors thus nominated were confirmed by the Executive Directors.

It will be noted that, in the period under review, expenditure exceeded income by $1,913,189.39, and that the total excess of expenditure over income from inception to April 30, 1951, is thus increased to $5,722,892.44.

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

Yours sincerely,

/s/

A. N. Overby

Acting Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

APPENDIX VII (ii)

AUDITORS' CERTIFICATE

"We have made an independent examination of the Balance Sheet of the International Monetary Fund as at April 30, 1951, of the Statement of Income and Expenditure for the fiscal year ended that date, and of the schedules related to such financial statements. Our examination was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary in the circumstances. In that connection we have examined or tested, to the extent deemed appropriate, the accounting records of the Fund and other supporting evidence of its financial transactions; we have ascertained generally and to the extent practicable that financial transactions have been conducted in compliance with the Fund's requirements; and we have obtained from the officers and staff of the Fund 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 control.

"In our opinion, based on our examination, such Balance Sheet and related Statement of Income and Expenditure, together with the notes appearing thereon, present fairly the financial position of the International Monetary Fund as at April 30, 1951, and the results of its operations for the year ended that date, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the previous fiscal period from May 1, 1949 to April 30, 1950."

/s/ Ch. Vercruysse (Belgium)

/s/ J. C. A. Dantas (Brazil)

/s/ G. S. Rau (India)

APPENDIX
BALANCE
April 30,

Values expressed in United States dollars

ASSETS

Gold with Depositories		$1,495,042,780.46
(Fine ounces 42,715,508.013 at $35.00 per ounce)		
Currency and Securities with Depositories		
Currency	$ 714,679,738.45	
(In members' currency)		
Securities	4,914,122,949.49	5,628,802,687.94
(Non-negotiable, non-interest bearing, demand obligations payable at face value by members in their currencies)		
Subscriptions to Capital—Receivable		
Balances due	$ 9,999,000.00	
(Members whose par values have been established)		
Balances not due	896,545,481.77	906,544,481.77
(Members whose par values have not yet been established)		
Other Assets		680,816.98
(Other cash, receivables, etc.)		
TOTAL ASSETS		$8,031,070,767.15

(sgd.) FREDERICK W. GRAY, *Treasurer*

(sgd.) CHARLES M. POWELL, *Comptroller and Asst. Treasurer*

See Notes on page 120, which are an integral part of this Statement.

VII (iii)
SHEET
1951

on the basis of established parities

CAPITAL, RESERVES, AND LIABILITIES

Capital		
Authorized Subscriptions of Members:		
Subscriptions at April 30, 1950	$7,921,500,000.00	
Subscriptions of two new members	115,000,000.00	
		$8,036,500,000.00
Deduct: Excess of Expenditure Over Income		
From inception to April 30, 1950	$ 3,809,703.05	
For Year ended April 30, 1951	1,913,189.39	5,722,892.44
		$8,030,777,107.56
Reserves		
Reserve for potential cost of turning certain gold into new bars	$ 66,360.70	
Reserve for potential cost of converting purchased gold into currency	21,438.91	87,799.61
Liabilities *(Accounts payable, deferred income, etc.)*		205,859.98
TOTAL CAPITAL, RESERVES, AND LIABILITIES		$8,031,070,767.15

(sgd.) A. N. OVERBY, *Acting Managing Director*

NOTES TO BALANCE SHEET

[1] The established parities for members' currencies represent par values in relation to the United States dollar as agreed to by the Fund and the members concerned, with the following exceptions: (a) As from August 16, 1950, the French franc has been computed for bookkeeping purposes at a provisional rate of 349.600 French francs per U. S. dollar in place of the previous provisional rate of 340.000. (b) In November 1949 Peru introduced a new exchange system under which no exchange transactions in the member's territory are based on the par value established with the Fund. The Peruvian sol is provisionally computed for bookkeeping purposes at 15 soles per U. S. dollar. (c) In September 1950 Canada introduced a new exchange system under which Canada will not ensure that exchange transactions within its territories will be based on the par value established with the Fund. The Canadian dollar is still computed at the established par value of 1.10000 Canadian dollars per U. S. dollar. Appropriate adjustments of the Fund's holdings of French francs and Peruvian soles have been made to sustain the values thereof at the new provisional rates.

[2] Gold with the United States depository of the Fund includes 7,926 bars, .995 fine or higher, which are not U. S. Assay Office unmutilated bars. A reserve is provided to meet the potential cost of turning certain of these bars into U. S. Assay Office bars. The amount of gold shown in this balance sheet does not include 2,072.971 fine ounces with the United States depository which are earmarked by the Fund for some members in respect of certain excess payments made by them.

[3] Repurchases actually effected during the financial year are shown on page 133. In addition, two members have yet to discharge repurchase obligations already determined, and determinations will be necessary for one or more of the last three financial years in respect of six members.

[4] The By-Laws of the Fund provide that Governors, Directors, Alternates, and staff shall, in addition to basic salaries and allowances, be compensated for national income taxation thereon. Provision has been made at April 30, 1951, for all known claims. While some liability is considered to exist for unascertained claims it is not practicable to estimate the amount for balance sheet purposes. In addition, the Fund has a substantial contingent liability with respect to prospective claimants whose claims will not arise until they are required to make their tax payments under existing laws.

APPENDIX VII (iv)

STATEMENT OF INCOME AND EXPENDITURE

Year ended April 30, 1951

Values expressed in United States dollars on basis of established parities

INCOME

Income from Operations			
Service charges on exchange transactions	$ 210,000.00		
Charges on Fund's holdings of members' currencies and securities in excess of quotas	2,448,714.22	$2,658,714.22	
Other Income			
Sale of Fund's publications	$ 12,922.28		
Miscellaneous income	235.98	13,158.26	
TOTAL INCOME			$2,671,872.48

EXPENDITURE

Current Administration		
Personnel Outlays:		
Salaries and wages	$2,584,383.21	
Compensation for national income taxation	232,261.12	
	$2,816,644.33	
Expense allowance for Managing Director	10,000.00	
Installation allowances (*for establishment of residence by staff personnel*)	14,972.00	
Emergency Service Differential	1,396.93	
Fund's contributions for staff benefits:		
Staff Retirement Fund	353,400.99	
Health and hospitalization	12,797.35	
Other contributions	1,048.41	$3,210,260.01

See Notes on page 124, which are an integral part of this Statement.

APPENDIX VII (iv) (*Continued*)

STATEMENT OF INCOME AND EXPENDITURE

Year ended April 30, 1951

Values expressed in United States dollars on basis of established parities

TOTAL INCOME (brought forward)			$2,671,872.48
CURRENT ADMINISTRATION CONTINUED (brought forward)		$3,210,260.01	
Travel:			
Travel for Fund's business	$ 191,956.94		
Appointment travel (*bringing personnel to seat of Fund on appointment*)	59,807.32		
Repatriation travel (*returning personnel to homeland on separation*)	54,477.63		
Home leave travel	34,358.12	340,600.01	
Communications:			
Telegraph and cable services	$ 24,764.04		
Telephone services	43,863.77		
Postal services	37,097.37	105,725.18	
Office Occupancy Expense:			
Space rentals and maintenance services	$ 375,086.06		
Building alterations	6,227.41	381,313.47	
Books, newspapers and periodicals		25,010.94	
Printing, by contract		108,765.01	
Equipment and supplies: (*including rentals, repairs, and maintenance*)			
Equipment	$ 32,565.58		
Consumable supplies	42,464.70	75,030.28	
Carried forward		$4,246,704.90	

See Notes on page 124, which are an integral part of this Statement.

APPENDIX VII (iv) (*Continued*)

STATEMENT OF INCOME AND EXPENDITURE

Year ended April 30, 1951

Values expressed in United States dollars on basis of established parities

TOTAL INCOME (brought forward)			$2,671,872.48
CURRENT ADMINISTRATION CONTINUED (brought forward)		$4,246,704.90	
Miscellaneous expenses:			
Insurance	$ 11,681.40		
External Audit	8,216.41		
Actuarial expense regarding Staff Retirement Fund	2,491.57		
Other miscellaneous expense	102,980.86	125,370.24	
TOTAL EXPENDITURE FOR CURRENT ADMINISTRATION		$4,372,075.14	
Meeting of Board of Governors:			
Fifth Annual Meeting (*Sept. 6 to Sept. 14, 1950*)		225,877.14	
TOTAL ADMINISTRATIVE EXPENSE		$4,597,952.28	
Other Expenses:			
Handling charges of depository in connection with gold of Fund		1.76	
TOTAL EXPENDITURE			$4,597,954.04
EXCESS OF EXPENDITURE OVER INCOME FOR PERIOD			$1,926,081.56

INCOME, EXPENDITURES AND ADJUSTMENTS NOT RELATED TO THE PERIOD

Settlement with Poland	$ 12,500.00	
Adjustments pertaining to the Fourth Annual Meeting of the Board of Governors	696.32	
	$ 13,196.32	
Net Exchange Adjustments	304.15	$ 12,892.17
DECREASE OF NET CAPITAL FOR YEAR ENDED APRIL 30, 1951 (*carried to Balance Sheet*)		$1,913,189.39

See Notes on page 124, which are an integral part of this Statement.

NOTES TO STATEMENT OF INCOME AND EXPENDITURE

[1] The established parities for members' currencies represent par values in relation to the United States dollar as agreed by the Fund and the members concerned. See also Note to Balance Sheet regarding provisional rates for currencies of certain members established for bookkeeping purposes.

[2] Income from operations represents charges levied against members. Such charges are payable in gold except under certain conditions specified in Article V, Section 8(f), of the Fund Agreement.

[3] Travel in connection with meetings of the Board of Governors is included in the expense of such meetings.

[4] It continues to be the policy of the Fund to write off the cost value of all furniture, office equipment, and automobiles by establishing full depreciation reserves against the assets and to charge the cost value of consumable supplies to expense of the fiscal year in which purchased.

[5] "Settlement with Poland" consists of an amount paid on account of subscription, which was retained as the settlement of accounts agreed upon under Article XV, Section 3, on the withdrawal of Poland from membership.

[6] The net debit for exchange adjustments is the result of bookkeeping entries due to expression of United States dollar values of transactions in gold and members' currencies.

APPENDIX VII (v)

GOLD

April 30, 1951

	Ounces (.995 fine or higher)	Equivalent Value in U. S. Dollars
Total Gold with Depositories Valued at U. S. $35.00 per fine ounce....	42,715,508.013	1,495,042,780.46

GOLD EARMARKED FOR MEMBERS

The total shown above does not include gold which is earmarked by the Fund for the following members:

Australia	0.002
Brazil	1.161
Chile	29.385
Czechoslovakia	262.518
Denmark	208.034
Egypt	20.282
Ethiopia	0.005
France	150.024
India	332.936
Mexico	234.435
Netherlands	83.699
Nicaragua	8.026
Norway	369.864
Turkey	109.388
Yugoslavia	263.212
Total	2,072.971

APPENDIX VII (vi)

CURRENCIES AND SECURITIES WITH DEPOSITORIES—April 30, 1951

Equivalent values in United States dollars are based on exchange rates for established par values

Depositories	National Currencies	Amounts of Currency and Securities (In Units of National Currencies)			Exchange Rates (*See* Note 2)	Equivalent Values in U. S. Dollars
		Currency	Securities	Total		
Commonwealth Bank of Australia	Pounds	17,880,549.1.4	76,575,000.0.0	94,455,549.1.4	224.000*	211,580,429.90
Banque Nationale de Belgique	Francs	112,456,058.46	8,324,889,561.24	8,437,345,619.70	50.0000	168,746,912.39
Superintendencia da Moeda e do Credito (Brazil)	Cruzeiros	3,292,981,328.70		3,292,981,328.70	18.5000	177,998,990.74
Bank of Canada	Dollars	4,090,246.10	243,400,000.00	247,490,246.10	1.10000	224,991,132.81
Banco Central de Chile	Pesos	1,549,358,556.75		1,549,358,556.75	31.0000	49,979,308.28
Banco de la Republica de Colombia	Pesos	73,119,916.00		73,119,916.00	1.94998	37,497,777.41
Banco Central de Costa Rica	Colones	21,045,506.90		21,045,506.90	5.61500	3,748,086.71
Banco Nacional de Cuba	Pesos	37,488,562.79		37,488,562.79	1.00000	37,488,562.79
Czechoslovak State Bank	Korunas	881,143,972.20	5,552,378,996.00	6,433,522,968.20	50.0000	128,670,459.37
Danmarks Nationalbank	Kroner	19,795,054.80	479,623,010.92	499,418,065.72	6.90714	72,304,610.27
Banco Central de la Republica Dominicana	Pesos	501,865.33	3,248,000.00	3,749,865.33	1.00000	3,749,865.33
Banco Central del Ecuador	Sucres	56,243,116.81		56,243,116.81	15.0000	3,749,541.12
The Treasury of Egypt	Pounds	209,430.590	15,460,170.375	15,669,600.965	287.156*	44,996,199.35
Banco Central de Reserva de El Salvador	Colones	4,684,902.17		4,684,902.17	2.50000	1,873,960.87
State Bank of Ethiopia	Dollars	1,368,937.57	13,377,375.30	14,746,312.87	40.2500*	5,935,390.93
Banque de France	Francs	1,854,020,875.00	187,550,000,000.00	189,404,020,875.00	*See* Note 1	541,773,515.08
Banco de Guatemala	Quetzales	3,747,136.92		3,747,136.92	1.00000	3,747,136.92
Banco Central de Honduras	Lempiras	102,000.00	647,881.60	749,881.60	2.00000	374,940.80
National Bank of Iceland	Kronur	12,204,649.86		12,204,649.86	16.2857	749,408.98
Reserve Bank of India	Rupees	463,044,452.4.2	1,786,600,000.0.0	2,249,644,452.4.2	21.0000*	472,425,334.97
Bank Melli Iran	Rials	11,312,844.50	834,690,069.30	846,002,913.80	32.2500	26,232,648.49
Rafidain Bank (Iraq)	Dinars	287,715.233	2,569,125.000	2,856,840.233	280.000*	7,999,152.66

Banque de Syrie et du Liban (Lebanon)	Pounds	9,270,306.45		9,270,306.45	2.19148	4,230,157.90
Caisse d'Epargne de l'Etat (Luxembourg)	Francs	5,057,594.09	470,886,334.80	475,943,928.89	50.0000	9,518,878.57
Banco de Mexico	Pesos	778,482,828.53		778,482,828.53	8.65000	89,998,014.85
De Nederlandsche Bank	Guilders	11,206,200.60	1,059,000,000.00	1,070,206,200.60	3.80000	281,633,210.68
Departamento de Emision—Banco Nacional de Nicaragua	Cordobas	7,498,501.19		7,498,501.19	5.00000	1,499,700.23
Norges Bank	Kroner	42,299,730.08	293,848,315.10	336,148,045.18	14.0000*	47,060,726.32
State Bank of Pakistan	Rupees	3,313,520.0.0	315,956,652.0.0	319,270,172.0.0	3.30852	96,499,393.08
Banco Nacional de Panama	Balboas	5,896.55	369,000.00	374,896.55	1.00000	374,896.55
Banco del Paraguay	Guaranies	15,738,634.02		15,738,634.02	6.00000	2,623,105.67
Banco Central de Reserva del Peru	Soles	3,755,795.94	323,953,685.00	327,709,480.94	*See* Note 1	21,847,298.73
Central Bank of the Philippines	Pesos	496,489.33	22,000,000.00	22,496,489.33	2.00000	11,248,244.66
Banque de Syrie et du Liban (Syria)	Pounds	1,423,212.60	12,447,000.00	13,870,212.60	2.19148	6,329,153.17
Banque Centrale de la Republique de Turquie	Liras	26,043,641.42	78,250,000.00	104,293,641.42	2.80000	37,247,729.07
South African Reserve Bank	Pounds	380,140.5.6	26,405,574.8.7	26,785,714.14.1	280.000*	75,000,001.17
Bank of England	Pounds	4,663,153.16.0	470,800,000.0.0	475,463,153.16.0	280.000*	1,331,296,830.64
Federal Reserve Bank of New York	Dollars	30,325,737.41	1,283,000,000.00	1,313,325,737.41		1,313,325,737.41
Riggs National Bank (*See* Note 3)	Dollars	40,451.40		40,451.40		40,451.40
Banco Central de Venezuela	Bolivares	5,019,464.05	32,659,359.42	37,678,823.47	3.35000	11,247,409.99
Banque Nationale de la Republique Federative Populaire de Yougoslavie	Dinars	3,058,419,083.75		3,058,419,083.75	50.0000	61,168,381.68
TOTAL						5,628,802,687.94

SUMMARY

Currency and Securities with Depositories, per Balance Sheet, at Equivalent Value in U. S. dollars

Currency..........	$ 714,679,738.45
Securities..........	4,914,122,949.49
Total, as above...	$5,628,802,687.94

NOTES:

[1] Par values for members' currencies are established in relation to the U. S. dollar as agreed to by the Fund and the members concerned with the exception of the French franc and the Peruvian sol which for bookkeeping purposes are computed at provisional rates of 349.600 French francs, and 15.0000 soles per U. S. dollar, respectively. (*See also* Note 1 to Balance Sheet)

[2] Exchange rates represent number of units of national currencies to the U. S. dollar except for items carrying asterisk (*) which represent number of U. S. cents to the related unit of national currency.

[3] A checking account is maintained with Riggs National Bank in Washington, D. C. for the purpose of making local payments for administrative expenditure.

APPENDIX VII (vii)

STATUS OF SUBSCRIPTIONS TO CAPITAL

April 30, 1951

Values expressed in U. S. Dollars on basis of established parities (*See* Note 1)

Members	Quotas (in millions of U. S. Dollars)	Payments on Subscriptions to Capital			Subscriptions to Capital Receivable	
		1/100 of 1% Paid in U. S. Dollars[2]	Paid in Gold	Paid in Member's Currency	Balances Due (Par Values Established)	Balances not Due (Par Values not Established)
Australia	200		8,404,843.20	191,595,156.80		
Austria	50					50,000,000.00
Belgium	225	22,500.00	56,227,500.00	168,750,000.00		
Bolivia	10	1,000.00			9,999,000.00	
Brazil	150	15,000.00	37,485,030.14	112,499,969.86		
Canada	300	30,000.00	74,970,000.00	225,000,000.00		
Ceylon	15[3]		751,010.09			14,248,989.91
Chile	50	5,000.00	8,813,013.93	41,181,986.07		
China	550	55,000.00				549,945,000.00
Colombia	50	5,000.00	12,495,150.61	37,499,849.39		
Costa Rica	5	500.00	373,700.09	4,625,799.91		
Cuba	50	5,000.00	12,495,386.36	37,499,613.64		
Czechoslovakia	125	12,500.00	2,361,151.14	122,626,348.86		
Denmark	68	6,800.00	5,934,983.32	62,058,216.68		
Dominican Republic	5	500.00	1,249,512.67	3,749,987.33		
Ecuador	5	500.00	1,249,612.81	3,749,887.19		
Egypt	60	4,500.00	9,484,075.69	50,511,424.31		
El Salvador	2.5	250.00	624,787.80	1,874,962.20		
Ethiopia	6	600.00	61,752.22	5,937,647.78		
Finland	38					38,000,000.00
France	525	52,500.00	108,056,306.15	416,891,193.85		
Greece	40	4,000.00				39,996,000.00

Guatemala	5	500.00	1,249,559.81	3,749,940.19		
Honduras	.5	250.00	124,809.20	374,940.80		
Iceland	1	100.00	249,900.28	749,999.72		
India	400	40,000.00	27,486,453.61	372,473,546.39		
Iran	35	2,500.00	8,764,707.14	26,232,792.86		
Iraq	8	800.00		7,999,200.00[5]		
Italy	180	18,000.00				179,982,000.00
Lebanon	4.5	450.00	267,415.12[4]	4,232,134.88		
Luxembourg	10	1,000.00	479,995.96	9,519,004.04		
Mexico	90	9,000.00	22,491,205.14	67,499,794.86		
Netherlands	275	27,500.00	68,722,500.00	206,250,000.00		
Nicaragua	2	200.00	499,975.66	1,499,824.34		
Norway	50	5,000.00	12,495,054.90	37,499,945.10		
Pakistan	100[3]		3,500,607.22	96,499,392.78		
Panama	.5	50.00	124,950.25	374,999.75		
Paraguay	3.5	200.00	875,496.47	2,624,303.53		
Peru	25	2,500.00	3,149,921.00	21,847,579.00		
Philippine Republic	15	1,500.00	3,748,548.79	11,249,951.21		
Syria	6.5	650.00	169,187.17[4]	6,330,162.83		
Thailand	12.5		3,125,008.14			9,374,991.86
Turkey	43	4,300.00	10,745,912.23	32,249,787.77		
Union of South Africa	100	10,000.00	24,994,519.20	74,995,480.80		
United Kingdom	1,300	130,000.00	236,135,323.70	1,063,734,676.30		
United States	2,750	275,000.00	687,500,000.11	2,062,224,999.89		
Uruguay	15	1,500.00				14,998,500.00
Venezuela	15	1,500.00	3,748,541.96	11,249,958.04		
Yugoslavia	60	6,000.00	7,878,546.20[4]	52,115,453.80		
TOTAL	8,036.5	759,650.00	1,469,565,955.48	5,659,629,912.75	9,999,000.00	896,545,481.77

SUMMARY OF SUBSCRIPTIONS TO CAPITAL RECEIVABLE

(Per Balance Sheet)

Balance due..........	$ 9,999,000.00
Balance not due......	896,545,481.77
Total Subscriptions to Capital Receivable..	$906,544,481.77

NOTES:

[1] The established parities for members' currencies represent par values in relation to the United States dollar as agreed by the Fund and the members concerned for the payment of their subscriptions at the time such payments were made. *See also* Note to Balance Sheet regarding provisional rates for currencies of certain members established for bookkeeping purposes.

[2] As per Article XX, Sec. 2(d) of the Articles of Agreement.

[3] New Members.

[4] Fund has provisionally accepted member's payment in gold, which is less than 25% of the member's quota.

[5] Member's payment exclusively in national currency is considered by the Fund as final.

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APPENDIX VII (viii)

OTHER ASSETS

April 30, 1951

Values expressed in United States dollars (*See* Note 1)

CASH			
Imprest funds (*petty cash and postage*)		$ 2,123.35	
With technical representative overseas (*See Note 2*)	$2,012.20		
In transit to technical representative overseas	1,337.75	3,349.95	$ 5,473.30
ACCOUNTS RECEIVABLE (including accruals)			
Members' accounts (*accrued charges against members*)		$589,525.87	
Commercial accounts		26,833.38	
Travel and Staff advances		46,325.81	662,685.06
DEFERRED CHARGES (unexpired insurance, etc.)			12,658.62
EQUIPMENT (*represents furniture, office equipment, and automobiles at cost value of $452,537.74 against which full reserves for depreciation are carried*)			
LIBRARY INVESTMENT (*represents law library at cost value of $19,611.73 and investment at cost value of $25,727.60 in library owned jointly with International Bank for Reconstruction and Development, against which full depreciation reserves are carried*)			
TOTAL OTHER ASSETS, PER BALANCE SHEET			$680,816.98

NOTES:

[1] The rates used for the expression of other currencies in U. S. dollars are explained in Note 1 to the Balance Sheet.

[2] Cash with technical representative overseas was French francs 703,466.

APPENDIX VII (ix)

LIABILITIES

April 30, 1951

Values expressed in United States dollars (*See* Note)

ACCOUNTS PAYABLE	
Members' Accounts................................	$ 366.50
(*excess payment made under Article IV, Section 8(b), reimbursable in member's currency*)	
Commercial Accounts and Accruals.....................	88,363.44
Governors, Executive Directors, Alternates, Staff, and Staff benefits..	112,176.20
(*amounts due or accrued for salaries and wages, Staff Retirement Fund, travel, etc.*)	
TOTAL ACCOUNTS PAYABLE AND ACCRUALS..	$200,906.14
UNEARNED INCOME	
Subscriptions to Fund's publications...................	4,953.84
TOTAL LIABILITIES, PER BALANCE SHEET....	$205,859.98

NOTE:
The rates used for the expression of other currencies in U. S. dollars are explained in Note 1 to the Balance Sheet.

APPENDIX VII (x)

SUMMARY OF TRANSACTIONS

for the year ended April 30, 1951

Exchange Transactions	Amount in Currency	U. S. Dollar Equivalent
Currency Sold by Fund		
Pounds Sterling	10,000,000.00	28,000,000.00
Currency Purchased by Fund		
Brazilian Cruzeiros	518,000,000.00	28,000,000.00
Repurchases of their Currency by Members		
Currency Repurchased from Fund		
Egyptian Pounds	2,962,824.969	8,507,929.67
Ethiopian Dollars	1,490,683.22	600,000.00
South African Pounds	3,566,183.16.4	9,985,314.69
		19,093,244.36
Currency and Gold Paid to Fund		
U. S. Dollars	18,263,478.33	18,263,478.33
Gold (in fine ounces)	23,707.601	829,766.03
		19,093,244.36

NOTE:

The summary excludes US $1,323.93 refunded to Nicaragua in exchange for 6,619.65 cordobas. This transaction was necessitated by the finalization of the voluntary repurchase made by the member during the fiscal year 1949-50 on a provisional basis.

APPENDIX VII (xi)

STAFF RETIREMENT FUND

AUDITORS' CERTIFICATE

"We have made an independent examination of the accounts of the Staff Retirement Fund of the International Monetary Fund for the year ended April 30, 1951. Our examination was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary in the circumstances. In that connection, consideration was given to the authority and other requirements governing transactions of the Staff Retirement Fund.

"The examination did not include a verification of the individual participants' accounts as at April 30, 1951, except for inquiry into certain of such accounts as a consequence of the application of auditing procedures to the other accounts of the Staff Retirement Fund. We ascertained, however, that the Internal Auditor of the International Monetary Fund had made a detailed audit of all participants' individual accounts as at April 30, 1951, and we satisfied ourselves that application of the auditing procedures adopted by him would be adequate to insure the correctness of such individual accounts with regard for eligibility, contributions, and interest allowed.

"In our opinion, the Balance Sheet and related statements of the Participants' Account, Accumulation Account, and Application of Funds, together with the notes appearing thereon, present fairly the financial position of the Staff Retirement Fund of the International Monetary Fund as at April 30, 1951, and the results of operations for the year ended that date, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the previous fiscal period from May 1, 1949 to April 30, 1950."

/s/ Ch. Vercruysse (Belgium)

/s/ J. C. A. Dantas (Brazil)

/s/ G. S. Rau (India)

APPENDIX VII (xii)

STAFF RETIREMENT FUND

BALANCE SHEET

April 30, 1951

ASSETS				
CASH IN BANK				
Riggs National Bank, Washington, D. C.			$ 6,062.59	
Chase National Bank, New York, N. Y.			1,214.76	$ 7,277.35
INVESTMENTS (Book value) (See Page 139)—*See* Note 4				
Bonds:				
United States Savings—Series G (non-marketable)	$515,000.00			
United States Treasury—Series B (non-transferable)	102,072.98			
United States Treasury Bills	4,980.95	$622,053.93		
International Bank for Reconstruction and Development 3% (market value $322,393.75)		321,050.09		
Commercial (market value $389,397.50)		408,203.19	1,351,307.21	
Corporate Stocks:				
Common (market value $75,975.00)			73,492.75	1,424,799.96
ACCRUED INTEREST ON INVESTMENTS				6,624.56
ACCRUED CONTRIBUTIONS RECEIVABLE FROM INTERNATIONAL MONETARY FUND—*See* Note 2				12,935.32
TOTAL ASSETS				$1,451,637.19
LIABILITIES AND RESERVES				
ACCOUNTS PAYABLE				$ 530.19
PARTICIPANTS' ACCOUNT				
Balance April 30, 1950			$ 262,455.86	
Add: Excess of Income over Outgo (*See* Page 136)			113,853.44	
Balance April 30, 1951				376,309.30
ACCUMULATION ACCOUNT				
Balance April 30, 1950			$ 670,604.13	
Add: Excess of Income over Outgo (*See* Page 137)			361,487.31	
Balance April 30, 1951				1,032,091.44
RETIREMENT RESERVE				
Balance April 30, 1950			$ 22,205.44	
Add: Income (*See* Page 138)			20,500.82	
Balance April 30, 1951				42,706.26
TOTAL LIABILITIES AND RESERVES				$1,451,637.19

See Notes on page 143, which are an integral part of this Statement.

APPENDIX VII (xiii)

STAFF RETIREMENT FUND

STATEMENT OF PARTICIPANTS' ACCOUNT

for the year ended April 30, 1951

INCOME

CONTRIBUTIONS OF EMPLOYEES			
Prior service	$ 10,270.04		
Participating service	134,679.19		
Additional voluntary contributions	3,293.50	$148,242.73	
TRANSFERS FROM ACCUMULATION ACCOUNT (*See* Page 137)			
Interest credited to participants in respect of:			
Prior service	$ 717.93		
Participating service	7,229.02		
Additional voluntary contributions	131.64	8,078.59	
TOTAL INCOME			$156,321.32

OUTGO

REFUNDS (Contributions and interest):			
To former participants who have withdrawn	$ 28,412.81		
To continuing participants upon withdrawal of optional additional contributions	2,322.93	$ 30,735.74	
TRANSFERS			
To Retirement Reserve (*See* Page 138)	$ 10,783.11		
To Retirement Fund of International Bank for Reconstruction and Development	949.03	11,732.14	
TOTAL OUTGO			42,467.88
EXCESS OF INCOME OVER OUTGO (*See* Page 135)			$113,853.44

See Notes on page 143, which are an integral part of this Statement.

APPENDIX VII (xiv)

STAFF RETIREMENT FUND

STATEMENT OF ACCUMULATION ACCOUNT

for the year ended April 30, 1951

INCOME			
CONTRIBUTIONS OF EMPLOYER			
Employees' prior service—*See* Note 2	$ 90,606.50		
Employees' participating service	265,737.07	$356,343.57	
INCOME ON INVESTMENTS			
Interest earned—*See* Note 3	29,921.84		
Dividends received	120.00	30,041.84	
OTHER INCOME			
Interest on unpaid prior service contributions of participants		309.01	
TOTAL INCOME			$386,694.42
OUTGO			
BENEFITS			
To former participants who have withdrawn		$ 5,341.46	
TRANSFERS			
Interest credited to participants' accounts (*See* Page 136)	$ 8,078.59		
To Retirement Reserve Account (includes interest of $693.08) (*See* Page 138)	9,717.71		
To Retirement Fund of International Bank for Reconstruction and Development	1,034.71	18,831.01	
OTHER OUTGO			
Loss on sale of investments		1,034.64	
TOTAL OUTGO			25,207.11
EXCESS OF INCOME OVER OUTGO (*See* Page 135)			$361,487.31

See Notes on page 143, which are an integral part of this Statement.

APPENDIX VI (xv)

STAFF RETIREMENT FUND

STATEMENT OF RETIREMENT RESERVE ACCOUNT

for the year ended April 30, 1951

INCOME

TRANSFERS	
From Participants' Account (*See* Page 136)	$10,783.11
From Accumulation Account (includes interest of $693.08) (*See* Page 137)	9,717.71
TOTAL INCOME (*See* Page 135)	$20,500.82

See Notes on page 143, which are an integral part of this Statement.

APPENDIX VII (xvi)

STAFF RETIREMENT FUND

SCHEDULE OF INVESTMENTS

April 30, 1951

	Interest Rate—%	Maturity	Face Value	Book Value	
United States Savings Bonds:					
Series G—*See* Note 3	2½	1960	$250,000.00	$250,000.00	
Series G—*See* Note 3	2½	1961	100,000.00	100,000.00	
Series G—*See* Note 3	2½	1962	100,000.00	100,000.00	
Series G—*See* Note 3	2½	1963	65,000.00	65,000.00	$515,000.00
United States Treasury Bonds:					
Investment Series B-1975-80	2¾	1980	103,000.00		102,072.98
United States Treasury Bills	1½	1951	5,000.00		4,980.95
International Bank for Reconstruction & Development Bonds	3	1972	276,000.00	271,050.09	
International Bank for Reconstruction & Development Bonds	3	1976	50,000.00	50,000.00	321,050.09
Commercial Bonds:					
American Telephone & Telegraph Co.—Debentures	2¾	1980	38,000.00	38,107.50	
Connecticut Light & Power Co.—1st & Refunding "L"	2¾	1984	12,000.00	12,267.34	
Consolidated Edison Co. of New York, Inc.—1st & Refunding "E"	3	1979	38,000.00	39,802.30	
Duke Power Co.—1st & Refunding Mortgage	2⅞	1979	13,000.00	13,647.50	
Illinois Bell Telephone Co.—1st Mortgage "A"	2¾	1981	25,000.00	25,390.27	
New York Telephone Co.—Refunding Mortgage "D"	2¾	1982	37,000.00	37,597.72	
Pacific Gas & Electric Co.—1st & Refunding "S"	3	1983	45,000.00	47,076.92	

APPENDIX VII (xvi) (*Continued*)

STAFF RETIREMENT FUND

SCHEDULE OF INVESTMENTS

April 30, 1951

	Interest Rate—%	Maturity	Face Value	Book Value	
Commercial Bonds (Continued):					
Pennsylvania Power & Light Co.—1st Mortgage	3	1975	38,000.00	39,741.59	
Philadelphia Electric Co.—1st & Refunding Mortgage	2¾	1974	24,000.00	24,323.74	
Potomac Electric Power Co.—1st Mortgage	2¾	1985	44,000.00	44,332.60	
Public Service Electric & Gas Co.—1st & Refunding	2⅞	1979	40,000.00	41,628.01	
Standard Oil Co. of New Jersey—Debentures	2¾	1974	30,000.00	30,139.46	
United Gas Corp.—1st Mortgage & Collateral Trust	2¾	1970	14,000.00	14,148.24	408,203.19

	No. of Shares		
Corporate Stock (Common):			
American Can Co.	100	$ 10,036.00	
American Natural Gas Company	200	5,798.76	
Dow Chemical Co.	100	8,684.65	
International Harvester Company	200	7,004.76	
Montgomery Ward Co., Inc.	100	7,220.69	
Pittsburgh Plate Glass Company	200	8,185.12	
Socony Vacuum Oil Co., Inc.	400	11,057.32	
Westinghouse Electric Corp.	300	11,025.00	
F. W. Woolworth Co.	100	4,480.45	73,492.75
TOTAL INVESTMENTS (*See* Page 135)			$1,424,799.96

See Notes on page 143, which are an integral part of this Statement.

APPENDIX VII (xvii)

STAFF RETIREMENT FUND

STATEMENT OF APPLICATION OF FUNDS

for the year ended April 30, 1951

FUNDS PROVIDED		
Contributions of employees:		
Prior service	$ 10,270.04	
Participating service	134,679.19	
Additional voluntary contributions	3,293.50	$148,242.73
Contributions of employer:		
For employees' prior service	$ 90,606.50	
For employees' participating service	265,737.07	356,343.57
Sale of investments:		
Book Value	$153,974.95	
Less Loss on Sale	1,034.64	152,940.31
Income on investments—*See* Note 3		30,041.84
Interest on unpaid prior service contributions of participants		309.01
Amortization of premium or accumulation of discount on investments (net)		115.88
TOTAL FUNDS PROVIDED		$687,993.34
FUNDS APPLIED		
Purchase of investments:		
Gross amount paid	$642,243.62	
Less interest accrued to date of purchase	1,491.80	$640,751.82
Refunds to former participants with interest		30,735.74
Benefits to former participants who have withdrawn		5,341.46
Transfers to Retirement Fund of International Bank for Reconstruction and Development:		
From Participants' Account	$ 949.03	
From Accumulation Account	1,034.71	1,983.74
Increase in working capital (See Page 142)		9,180.58
TOTAL FUNDS APPLIED		$687,993.34

See Notes on page 143, which are an integral part of this Statement.

STAFF RETIREMENT FUND

STATEMENT OF APPLICATION OF FUNDS

for the year ended April 30, 1951

STATEMENT OF CHANGES IN WORKING CAPITAL

for the year ended April 30, 1951

	April 30, 1951	April 30, 1950	Increase (Decrease)
CURRENT ASSETS			
Cash	$ 7,277.35	$ 2,806.24	$ 4,471.11
Accrued interest on investments	6,624.56	4,735.60	1,888.96
Accrued contributions receivable from International Monetary Fund	12,935.32	10,017.63	2,917.69
	$ 26,837.23	$ 17,559.47	$ 9,277.76
CURRENT LIABILITIES			
Accounts payable	530.19	433.01	97.18
WORKING CAPITAL	$ 26,307.04	$ 17,126.46	$ 9,180.58

See Notes on page 143, which are an integral part of this Statement.

APPENDIX VII (xviii)

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

1 During the fiscal year the Executive Board of the International Monetary Fund amended the Staff Retirement Plan so as to enable the Executive Directors, Alternates, and certain Staff members on part-time appointment to elect to join the Plan. At the same time such members of the Staff as were permanent on the effective date of the amendment were also given the benefit of their prior temporary service in their total eligible service under the Plan.

2 The closing balance in the Accumulation Account does not include an amount due from the International Monetary Fund on account of prior service of a few of the participants who came into the Plan as a result of the aforementioned amendment since at the close of the fiscal year, the exact amount had still not been determined.

3 Income on investments includes interest on United States Savings Bonds, Series G, currently paid at the rate of 2½ percent per annum on the condition that the bonds will be held to maturity which is 12 years after issue. If such bonds should be redeemed, at the option of the owner prior to maturity, the interest previously received at the rate of 2½ percent is subject to adjustment (or refund), resulting in a lower yield on the investment at a rate depending on the length of time the investment is held.

4 During the fiscal year the Pension Committee decided to invest part of the Staff Retirement Fund, not exceeding 15 percent of the portfolio, in selected corporate stock substantially common.

APPENDIX VIII (i)

SCHEDULE OF PAR VALUES—as of July 1, 1951

CURRENCIES OF METROPOLITAN AREAS

Member	Currency	Par Values In Terms of Gold: Grams of fine gold per currency unit	Par Values In Terms of Gold: Currency units per troy ounce of fine gold	Par Values In Terms of U. S. Dollars: Currency units per U. S. dollar	Par Values In Terms of U. S. Dollars: U. S. cents per currency unit
AUSTRALIA	Pound	1.990 62	15.625 0	0.446 429	224.000
AUSTRIA	Schilling	Par Value not yet established			
BELGIUM	Franc	0.017 773 4	1,750.00	50.000 0	2.000 00
BOLIVIA	Boliviano	0.014 811 2	2,100.00	60.000 0	1.666 67
BRAZIL	Cruzeiro	0.048 036 3	647.500	18.500 0	5.405 41
CANADA[1]	Dollar				
CEYLON	Rupee	Par Value not yet established			
CHILE	Peso	0.028 666 8	1,085.00	31.000 0	3.225 81
CHINA	Yuan	Par Value not yet established			
COLOMBIA	Peso	0.455 733	68.249 3	1.949 98	51.282 5
COSTA RICA	Colón	0.158 267	196.525	5.615 00	17.809 4
CUBA	Peso	0.888 671	35.000 0	1.000 00	100.000
CZECHOSLOVAKIA	Koruna	0.017 773 4	1,750.00	50.000 0	2.000 00
DENMARK	Krone	0.128 660	241.750	6.907 14	14.477 8
DOMINICAN REPUBLIC	Peso	0.888 671	35.000 0	1.000 00	100.000
ECUADOR	Sucre	0.059 244 7	525.000	15.000 0	6.666 67
EGYPT	Pound	2.551 87	12.188 5	0.348 242	287.156
EL SALVADOR	Colón	0.355 468	87.500 0	2.500 00	40.000 0
ETHIOPIA	Dollar	0.357 690	86.956 5	2.484 47	40.250 0
FINLAND	Markka	0.003 863 79	8,050.00	230.000	0.434 783
FRANCE	Franc	No Par Value agreed with the Fund			

GREECE	Drachma	Par Value not yet established			
GUATEMALA	Quetzal	0.888 671	35.000 0	1.000 00	100.000
HONDURAS	Lempira	0.444 335	70.000 0	2.000 00	50.000 0
ICELAND	Krona	0.054 567 6	570.000	16.285 7	6.140 36
INDIA	Rupee	0.186 621	166.667	4.761 90	21.000 0
IRAN	Rial	0.027 555 7	1,128.75	32.250 0	3.100 78
IRAQ	Dinar	2.488 28	12.500 0	0.357 143	280.000
ITALY	Lira	Par Value not yet established			
LEBANON	Pound	0.405 512	76.701 8	2.191 48	45.631 3
LUXEMBOURG	Franc	0.017 773 4	1,750.00	50.000 0	2.000 00
MEXICO	Peso	0.102 737	302.750	8.650 00	11.560 7
NETHERLANDS	Guilder	0.233 861	133.000	3.800 00	26.315 8
NICARAGUA	Córdoba	0.177 734	175.000	5.000 00	20.000 0
NORWAY	Krone	0.124 414	250.000	7.142 86	14.000 0
PAKISTAN	Rupee	0.268 601	115.798	3.308 52	30.225 0
PANAMA	Balboa	0.888 671	35.000 0	1.000 00	100.000
PARAGUAY	Guaraní	0.148 112	210.000	6.000 00	16.666 7
PERU[2]	Sol				
PHILIPPINE REPUBLIC	Peso	0.444 335	70.000 0	2.000 00	50.000 0
SYRIA	Pound	0.405 512	76.701 8	2.191 48	45.631 3
THAILAND	Baht	Par Value not yet established			
TURKEY	Lira	0.317 382	98.000 0	2.800 00	35.714 3
UNION OF SOUTH AFRICA	Pound	2.488 28	12.500 0 (or 250 shillings)	0.357 143	280.000
UNITED KINGDOM	Pound	2.488 28	12.500 0 (or 250 shillings)	0.357 143	280.000
UNITED STATES	Dollar	0.888 671	35.000 0	1.000 00	100.000
URUGUAY	Peso	Par Value not yet established			
VENEZUELA	Bolivar	0.265 275	117.250	3.350 00	29.850 7
YUGOSLAVIA	Dinar	0.017 773 4	1,750.00	50.000 0	2.000 00

[1] On September 30, 1950, Canada introduced a new exchange system under which the exchange value of the Canadian dollar will be allowed to fluctuate, so that for the time being Canada will not ensure that exchange transactions within its territories will be based on the par value established on September 19, 1949. No new par value has been proposed to the Fund.

[2] In November 1949, Peru introduced a new exchange system, but no agreement on a new par value has been reached.

APPENDIX VIII (ii)

SCHEDULE OF PAR VALUES—as of July 1, 1951

SEPARATE CURRENCIES IN NON-METROPOLITAN AREAS OF MEMBERS

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

Kenya Uganda Tanganyika Zanzibar	East African Shilling (20 per pound sterling)	0.124 414	250.000	7.142 86	14.000 0
Barbados Trinidad British Guiana	British West Indian Dollar (4.80 per pound sterling)	0.518 391	60.000 0	1.714 29	58.333 3
British Honduras	British Honduras Dollar (4.00 per pound sterling)	0.622 070	50.000 0	1.428 57	70.000 0
Mauritius Seychelles	Mauritius Rupee (13⅓ per pound sterling) Seychelles Rupee (13⅓ per pound sterling)	0.186 621	166.667	4.761 90	21.000 0
Fiji	Fijian Pound (1.11 per pound sterling)	2.241 69	13.875 0	0.396 429	252.252
Tonga	Tongan Pound (1.25000[1] per pound sterling)	1.990 62	15.625 0	0.446 429	224.000
Hong Kong	Hong Kong Dollar (16 per pound sterling)	0.155 517	200.000	5.714 29	17.500 0
Malaya (Singapore and Federation of Malaya) Sarawak British North Borneo	Malayan Dollar (8.571 428 57 per pound sterling, or 2 shillings 4 pence per Malayan Dollar) The Sarawak and British North Borneo Dollars which circulate alongside the Malayan Dollar (which is also legal tender) have the same value	0.290 299	107.143	3.061 22	32.666 7

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

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