ANNUAL REPORT
1952

INTERNATIONAL MONETARY FUND

WASHINGTON, D. C.

ANNUAL REPORT

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INTERNATIONAL MONETARY FUND

ANNUAL REPORT OF THE EXECUTIVE DIRECTORS FOR THE FISCAL YEAR ENDED APRIL 30, 1952

WASHINGTON, D.C.

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Managing Director and Chairman of the Executive Board

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Oscar L. Altman	Director, Office of Administration
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LETTER OF TRANSMITTAL
TO THE BOARD OF GOVERNORS

June 24, 1952

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, 1952. As in previous years the Report includes references to developments that occurred and information that has become available between the end of the fiscal year and the date of this letter of transmittal.

Yours sincerely,

/s/

IVAR ROOTH

Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

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I

The World Economic Situation

AT the time of the foundation of the Fund, it was envisaged that, after the destruction and dislocation caused by World War II had been repaired, a balanced pattern of multilateral world trade and payments would emerge in which the general support of restrictive and discriminatory policies would no longer be needed. Seven years have now elapsed since the war, and more than five years since the Fund began operations. During these years there have been a remarkable growth in production and one widespread adjustment of exchange rates. The attainment of a stable international equilibrium, however, still eludes large parts of the world, and there has been little secure or sustained progress toward the Fund objectives of unimpeded multilateral trade and the general convertibility of currencies.

During the last seven years, balance of payments difficulties have been continuous or recurrent, and most countries have either been unable to make substantial progress toward freer international trade, or have had to reverse from time to time some of the steps taken in that direction. The difficulties at any given point of time can nearly always be represented as being, at least in part, the result of some special temporary disturbing factors. These special factors can, indeed, never safely be neglected. The frequent recurrence of balance of payments difficulties suggests, however, that an explanation of the difficulties should be sought in terms of more fundamental and pervasive influences that to some extent have affected almost all countries.

The first critical situation arising out of the postwar payments disequilibrium occurred in the summer of 1947, and was associated with the short-lived resumption of sterling convertibility. It was temporarily resolved by the U.S. interim aid program and the Marshall Plan, which permitted the European countries to proceed with the restoration of their economies much more rapidly than would otherwise have been possible. Their recovery was in most cases substantial, but, as the most urgent reconstruction and pent-up consumer and producer demands were satisfied, a second exchange crisis began to develop. Its first symptoms were seen in a tendency for some European exporters to find themselves priced out of dollar markets. The par values agreed in 1946 and 1947 were at first quite compatible with a rapid recovery of exports, because unsatisfied demands for exports were so large. As the urgency of many of these demands declined, however, it became apparent in many countries that inflation was adding to the competitive difficulties of exporters. The emergence of a buyers' market was hastened by a moderate downturn in economic activity in the United States early in 1949, and the exports of many countries began to lag. With a decline of confidence in certain key currencies, this resulted in the widespread devaluations of September 1949. A substantial improvement in the international reserves of many countries followed. This was due in part to the reversal of earlier speculative positions in regard to payments and orders and to a running down of stocks, but there was also a significant strengthening of the underlying balance of payments situation. In many countries restrictions were relaxed and some progress was made toward convertibility.

Before there had been time for the full effects of the devaluations of September 1949 to be worked out, fighting broke out in Korea in June 1950 and initiated a series of new developments to which balances of payments had to be adjusted. The immediate, and partly speculative, reactions to the outbreak of hostilities were followed by a readjustment or correction phase. The increased demands arising from stockpiling and rearmament raised prices, national income, and world trade to higher levels. It might have been expected that the increased demand for raw materials would, after some adjustments, lead to a new equilibrium, with the terms of trade and exchange reserves of the countries concerned somewhat more favorable than before June 1950. The reserve positions of many countries were, indeed, strengthened, but this trend ceased with the subsequent decline in commodity prices, which reversed part of the initial improvement in the terms of trade of raw material producers. The old troubles then reappeared. There were widespread balance of payments difficulties, reserves declined, and the earlier movement toward freer trade was to some extent reversed. While conditions in individual countries in the first half of 1952 vary widely, the reappearance of these difficulties provides a strong indication that the earlier efforts to restore a new world equilibrium had failed to get to the root of the matter.

A proper understanding of the fundamental causes responsible for the recurrent external disequilibria in recent years is not possible without reference to the domestic fiscal and monetary policies pursued by various governments. These policies have permitted continuous inflationary pressures, and the connection between domestic inflation and balance of payments difficulties has become increasingly evident. Since the end of World War II the pressure of demand for consumption and investment goods and services has, for a wide variety of reasons, been allowed to pass beyond the limits set by the resources available. The efforts to translate into reality the widespread desire for economic security and betterment, or, in some countries, to check the deterioration of standards realized in the past, have been an important factor in this situation. More recently, rearmament programs have made further demands upon the limited supplies of resources. Sometimes an inflationary situation has been produced that was clearly recognizable. Sometimes the effects of inflationary pressures have been temporarily concealed by devices such as price controls and subsidies. Without the aid given since the end of the war by various countries, and especially by the United States, inflation would probably have been more severe, and the development of production would have been retarded. But even when temporarily held in check, the inflationary pressures have always been ready to re-emerge and to upset such uneasy monetary equilibrium as may have been established.

In their efforts to satisfy the competing claims of divergent social and economic objectives, many countries have adopted economic and monetary policies which have meant that they were attempting to live beyond their means. Any such attempt is bound sooner or later to be frustrated, but if this is not clearly understood, or if for social or political reasons governments feel it impossible to act in accordance with a correct understanding of the situation, the necessary adaptations of domestic policies to current changes in the balance of payments are not quickly or adequately made. Measures which it is feared will be unpopular are either not taken at all or taken only after long delay and then not pushed far enough. In the meantime, the continuance of inflation makes it difficult to recognize and respond to any structural changes that may be taking place. When there is excessive demand for all resources, the incentives to undertake the transfers of productive resources that may be necessary if long-term external equilibrium is to be established are seriously weakened. Continuous inflationary pressures and balance of payments problems are bound to make it increasingly difficult to ensure the maintenance of supplies of essential raw materials, and therefore of steady levels of employment.

While the recurrence of balance of payments difficulties is to be explained mainly in terms of the inflationary pressures generated by diverse conflicting claims on limited resources, other factors also have had a significant influence. The magnitude and range of U.S. production and productivity have placed that country in a position of predominance in the world economy and of comparative self-sufficiency. This situation demands difficult adjustments, in both the rest of the world and the United States, that are still far from complete. Agricultural protection in Europe and the United States still creates difficulties for some countries, and the other protective policies maintained in the United States, despite its great competitive power, also continue to embarrass other countries.

The industrialization of some of the raw material producing countries, which was already under way before World War II and was further accelerated in response to the wartime disruption of trade connections, also calls for adjustments in the world economy, and particularly in the industrialized countries of Europe. Overseas industrialization means, on the one hand, diminished demand for the products of some European industries, while, on the other hand, it provides an expanded market for exports of all kinds of capital equipment. In recent years the industrializing countries have increasingly turned to dollar sources of supply to satisfy their demands for these capital goods. It has thus become difficult for the older industrialized countries to meet their dollar area deficits by export surpluses to raw material producing countries with a dollar surplus.

An aggravating factor in the recurrent balance of payments crises of the postwar years is the inadequacy of international reserves available to monetary authorities outside the United States. Although the gold and dollar holdings of countries other than the United States have risen to some extent since 1938, the increase has not been in proportion to the expansion of world trade, and their value in real terms has been actually reduced by inflation. These trends, combined with the abnormally wide swings in balances of payments, have often produced situations in which reserves have appeared to be dangerously low. The attainment of any particular level or ratio of reserves is not by itself a guarantee against balance of payments crises; nevertheless, a more adequate cushion against balance of payments disturbances is clearly desirable so that more time may be available to make the necessary readjustments.

The significance of inadequate reserves has also been greatly enhanced by the fact that the disruption in the 1930's of the private international short-term capital market has not been repaired. Instead of private capital movements helping to minimize the use of official reserves, in a great number of countries the whole burden of adjustment to balance of payments fluctuations has had to be borne by central banks and governments. Balance of payments adjustments are also made more difficult by the virtual absence of any effective private international long-term capital market.

Postwar economic developments have further been affected by the international political developments which have proved much less satisfactory than was envisaged at the end of the war. The decline in East-West European trade is partly responsible for the deterioration in the terms of trade of Western Europe, which has been cut off from the raw material and foodstuffs supplies of Eastern Europe. Similar difficulties have arisen in the Far East. Political tensions have led to a general feeling of insecurity which, combined with the growing sensitiveness to risks of economic insecurity, has induced disturbing short-term capital movements that greatly complicate the tasks of monetary policy. In the last few years, the conflict in Korea and increased political tension generally have necessitated rearmament which tends further to disrupt international prices, intensify inflationary pressures, and impose on countries increased burdens of adjustment.

Finally, the recurrence of balance of payments difficulties must also be attributed, in part, to a certain lack of effective cooperation between various countries. In the last analysis, the success of any international endeavor must depend on the degree of cooperation and coordination among countries. Progress toward a balanced pattern of international exchange would be more rapid if countries were to cooperate more effectively, for example, to ensure careful consideration of the interests of other countries if restrictive measures have to be taken, and in the stockpiling of scarce materials.

In the situation that has been described above, the steps taken by the Fund to facilitate the utilization of its resources by members, as described in Chapter II, have particular significance as fulfilling in part the need of members for a second line of reserves. The solution of members' problems requires, however, more than a strengthening of their reserves. For each country it will have to be found in the acceptance of appropriate domestic monetary and fiscal policies that are in accord with that country's balance of payments position. The Fund has an important role in helping its members to adopt such policies. Moreover, by watching developments and by providing a forum for an exchange of views between its members, the Fund can seek to increase the degree of coordination among them. There are some forces, such as the growing international tension, over which the Fund can have little, if any, influence. The adoption of effective balance of payments policies is still often impeded by domestic political forces. The difficulties that have been responsible for the recurrent exchange crises are not, however, irremediable. Indeed, within the past year, there has been increasing recognition of the fundamental weaknesses underlying external imbalance and a growing determination to come to grips with them.

While the Fund's main task is international—to seek a system of multilateral trade and payments—the purposes for which it was formed can be reached only if effective domestic measures are taken by its members. Whatever its cause, domestic inflation has been at the root of many recent international difficulties, and as long as it continues a satisfactory and stable system of international trade and payments will be impossible. Inflation has had much to do with one serious danger to international trade—the maintenance under conditions of peace of the division of the world into separate currency areas that had followed the war. Such a division cannot last without the support of a network of administrative controls applied both to the external trade of countries and to their internal economies. The economic relations of countries are too pervasive to be confined for long within a complicated network of this kind, unless the controls are extended to many of their major activities. The choice before us is to end inflation, or to move further toward a kind of world which is the antithesis of the world the Fund was formed to serve. In such a world, even the present weakened structure of international trade and payments is more likely to deteriorate than to improve.

Initial Reactions to the Korean Outbreak

U.S. imports, which even before the outbreak of fighting in Korea were rising, showed a further prompt and vigorous increase after the conflict began; this increase dominated the first phase of the reactions to the Korean outbreak through the first quarter of 1951. The value of U.S. imports in the third quarter of 1950 exceeded that of the second quarter by $470 million, or about 25 per cent, and there were further increases of $260 million in the fourth quarter of 1950 and $380 million in the first quarter of 1951. During the first few months after the beginning of hostilities, foodstuffs (e.g., sugar) accounted for a more than proportionate share in this expansion of U.S. imports, but emphasis soon shifted to industrial raw materials. Remembering the wartime shortages and fearing a rise in prices, consumers, producers, and the U.S. Government sharply increased their demands. In the third quarter of 1950, the principal effect of these increases was to raise the volume of imports; subsequently, their principal effect was to raise import prices. In both the fourth quarter of 1950, when the value of U.S. imports rose by 11 per cent, and the first quarter of 1951, when their value rose by 14 per cent, the increase in import volume was only around 3 per cent.

In the industrial countries of Western Europe, the movements of retail sales indicated a similar upward surge in demand in the third quarter of 1950. The value of their imports, however, did not increase until the fourth quarter (Germany and Switzerland were notable exceptions), and continued to rise through the second quarter of 1951. The expansion of European imports in general lagged behind that in the United States by one quarter. As a consequence, in contrast to the United States, Germany, and Switzerland, which had been able to obtain some of their additional imports at prices closer to the level of June 1950, most countries of Western Europe increased their purchases substantially only after prices had advanced. An important impediment to the expansion of European imports was probably the administrative delays in relaxing controls and the fact that the general public was at first less influenced in Europe than in the United States by the outbreak in Korea. The upsurge in retail buying in Western Europe in fact lagged about two months behind that in the United States.

The increased imports demanded by the industrial countries were obtained principally from the primary producing countries. The Latin American republics felt this impact particularly strongly in the third quarter of 1950, when the exports of the group as a whole increased by the equivalent of US$350 million, to $1,820 million. The countries of the outer sterling area were affected most in the last quarter of 1950 and the first quarter of 1951, when their exports increased by $640 million and $560 million, respectively, from $2,000 million in the third quarter of 1950. The exchange reserves of the sterling area and of many Latin American countries accordingly increased; subsequent liberalization of trade controls and fears of scarcity led, however, to increased imports and a decline in reserves. In general, this increase in imports lagged about a quarter behind the increase in their exports, Latin American imports as a whole beginning to increase sharply in the fourth quarter of 1950, while the sharp increase in the imports of the outer sterling area got under way in the first quarter of 1951.

Already by the end of the first quarter of 1951, the untenable levels reached by many raw material prices indicated the possibility of an exchange crisis. The price of Australian wool (greasy), for example, had risen from an average of US$0.68 per pound in the first six months of 1950 to $1.89 in March 1951. The prices of several other commodities—e.g., tin, rubber, Egyptian cotton, jute, cordage fibers—doubled, or almost doubled, during this period, and the prices of U.S. and U.K. imports of primary commodities as a whole rose by about 50 per cent. It was in this situation that the U.S. Government took steps to become the sole buyer for the country of rubber at the end of 1950 and of tin in March 1951, and later reduced its stockpile purchases of these two commodities and of wool. Further uncertainties were injected into the market for import goods in general by the U.S. Government's general price regulation of January 26, 1951. Finally, U.S. consumer demand also began to show signs of falling off, the seasonally adjusted index of retail sales reaching a peak in January. The first quarter of 1951 thus marked the end of the initial reaction to the outbreak of fighting in Korea. By the second quarter, U.S. imports had turned down and the decline in commodity prices had begun.

Commodity Price Movements

The decline in U.S. imports, mainly of raw materials, which was moderate in the second quarter of 1951, was more substantial in the third quarter, when imports fell by about $500 million, to $2,510 million, and there was a further moderate decline in the fourth quarter of the year. A similar decline in the imports of the OEEC countries lagged a quarter behind that in the United States. U.K. imports, however, continued to increase through the third quarter of 1951.

The decline in import demand brought about a sharp reduction in many raw material prices; the extent of this reduction is illustrated by the movement of the index of wholesale prices of eleven primary commodities imported into the United States (Table I). For many commodities the price decreases were

TABLE I. INDEX OF WHOLESALE PRICES OF ELEVEN PRIMARY COMMODITIES IMPORTED INTO THE UNITED STATES [1]

(January-June 1950 = 100)

1950	1951				1952	
Dec	Mar	Jun	Sep	Dec	Mar	May
150	164	146	131	131	119	115

[1] Averages of daily index of U.S. Department of Labor, Bureau of Labor Statistics

much sharper, as shown in Table II. By early 1952 many prices, although still higher than in June 1950, were substantially below their level in the spring of 1951. For some commodities, the March-September 1951 decline proved to be excessive, and since

TABLE II. PRICES OF SELECTED RAW MATERIALS, 1950-52

(In U.S. dollars)

	1950	1951		1952	
	Jan-Jun	Mar	Sep		
Copra (Philippines, 100 lbs.)	7.97	11.48	6.97	4.20	(Apr)
Egyptian cotton (Ashmouni, 100 lbs.)	52.60	82.00[1]	43.90	48.60	(May)
Jute (Pakistan, short tons)	193.00	413.00[2]	266.00	270.00	(Mar)
Wool, greasy (Australia, 100 lbs.)	68.00	188.70	59.70	54.20	(Mar)
Tin (Malaya, 100 lbs.)	72.40	181.40[1]	109.80	119.10	(Mar)
Rubber (Malaya, 100 lbs.)	21.00	73.50[2]	51.40	35.80	(Apr)

Source: *International Financial Statistics*
[1] February
[2] April

then their prices have recovered a little. For others, however, for which a brisk demand was maintained, such as copper, lead and zinc, the price trend continued to be upward.

Most of the reduction in the import demand of the industrial countries affected first the primary producing areas. The exports of the outer sterling area stopped increasing in the second quarter of 1951 and fell sharply, by $880 million, in the third quarter, when Latin American exports also fell off. The decline appeared to have been arrested in the fourth quarter of 1951, but, combined with the increases in the imports of these countries, it caused a sharp deterioration of their trade balance. The trade balance (f.o.b.) of the Latin American republics deteriorated by about $150 million in the second quarter of 1951 and by $210 million in the third, while that of the outer sterling area worsened by $340 million in the second quarter and by $1,010 million in the third. The trade balances of many countries deteriorated further in the fourth quarter because of the continued upswing in their imports. By that time, indeed, they had worsened in most countries to the point where the reserves that had increased during the boom were being drawn down; for some countries, e.g., Australia, the decrease was at a very rapid rate.

Balance of Payments Developments

The outflow of gold from the United States that had begun in 1950 lost its momentum in May 1951, when U.S. reserves were $21,861 million, and a substantial inflow began in August. By May 1952, U.S. gold holdings amounted to $23,502 million. The net deficit [1] of foreign countries as a whole with the United States, covering not only goods and services but also private capital movements and certain other transactions, amounted in 1951 to $3,156 million, against $265 million in 1950 and $5,348 million in 1949. This deficit was financed not only by movements of reserves but also by substantial grants and loans.

The changes in 1951 of the balance of payments of various areas with the United States and the deterioration that occurred, especially in the second half of the year, are summarized in Table III. Some countries were particularly affected by sudden

1 Except where otherwise indicated, the balance of payments surplus or deficit as used in this section is measured by compensatory official financing (see Table III).

TABLE III. SURPLUS OR DEFICIT (—) OF SELECTED REGIONS WITH THE UNITED STATES, ANNUALLY AND QUARTERLY

(In millions of U.S. dollars)

	Annually		Quarterly					
			1950	1951				1952
	1950	1951	IV	I	II	III	IV	I
United Kingdom	155	—468	21	—40	—7	—128	—293	—43
Other OEEC countries	—799	—1,498	—167	—253	—455	—357	—433	—367
OEEC dependencies								
Sterling area	298	493	102	169	128	121	75	146
Other	34	66	19	24	7	—19	54	67
Rest of sterling area	173	—156	89	74	91	—82	—239	—155
Canada	417	—229	—117	—128	—55	—72	26	—131
Latin American republics	—167	—541	—91	299	—168	—384	—288	—48
All other	51	216	197	81	12	56	67	50
Unadjusted total [1]	162	—2,117	53	226	—447	—865	—1,031	—481
Errors and omissions [2]	—156	—594	90	—93	—244	—173	—84	—270
Other adjustments [3]	—271	—445	—86	—103	—41	—118	—183	....
Adjusted total [4]	—265	—3,156	57	30	—732	—1,156	—1,298	—751

Source: Official U.S. balance of payments statements with signs reversed. Area classifications and quarterly data partly estimated by the Fund.

[1] The regional figures represent the net balance on account of goods and services, unilateral transfers except economic aid, and U. S. capital movements, except ECA loans.

[2] Assumed to be largely private capital movements.

[3] Adjustments made to include certain noncompensatory official financing transactions, e.g., import prepayments and developmental loans, and to exclude a few minor compensatory transactions.

[4] Surplus or deficit (—) as measured by compensatory official financing.

cuts in U.S. purchases of their staple exports, and the deterioration was substantial for most areas. The surplus of most of the OEEC dependencies (both sterling and other), however, increased.

Throughout the postwar period, U.S. Government grants and loans have been a factor of outstanding importance in the reconstruction and balance of payments developments of many countries, especially in Western Europe. The knowledge that this financial aid would be reduced was something to be taken into account in determining policy in 1951. Although ECA aid tapered off in that year, U.S. Government grants and loans (net) to foreign countries, including both military and economic aid, amounted to $4,594 million, somewhat more than the 1950 total of $4,207 million. Military grants increased from $580 million to $1,460 million, whereas economic grants fell off from $3,460 million to $2,970 million. Although most of the military as well as of the economic aid continued to go to the OEEC countries, the total grants extended to them declined slightly.

The balance of payments of the United Kingdom deteriorated seriously during 1951, not only with the United States but also with the EPU area. Although the balance with the rest of the sterling area improved, from a deficit of £13 million in the first half of the year to a surplus of £116 million in the second half, this improvement was insufficient to offset the worsening vis-à-vis other areas, and the 1950 surplus of £255 million was followed in 1951 by a deficit of £756 million. For the year as a whole, the outstanding feature was the widening of the trade deficit, as the value of exports increased by 22 per cent while the value of imports rose 47 per cent. In the second half of the year, there was a sharp drop in the surplus on account of services, partly because of the stoppage of Iranian oil sales. Britain's balance of payments deficit with the non-sterling area rose from £204 million in the first half of the year to £655 million in the second half. Gold and dollar holdings, after rising moderately to $3,867 million at the end of June 1951, fell in the next four quarters by $2,182 million; at the end of June 1952, they were $1,685 million, about the same as at the end of 1949. In real terms, gold and dollar holdings at the end of June 1952 were below the 1949 level.

The downward movement of reserves, indeed, gives an exaggerated picture of the real deterioration in the external position of the United Kingdom. In a time of uncertainty there was an inducement for importers in the United Kingdom to accelerate the dollar payments that they had to make, and for the importers of U.K. goods abroad to delay the settlement of their obligations. These changes in the timing of payments, the so-called "leads and lags," were an important factor in reducing reserves. Any subsequent reversal of such short-term movements must be taken into account in interpreting later movements of reserves. One reason for emphasizing the importance of reserves is precisely the protection that they afford against the effects of temporary adverse changes of this kind.

The deterioration of the U.K. balance of payments was also the result of more fundamental changes in its economic position. For example, according to calculations in which c.i.f. import prices are used, its terms of trade in 1951 were 11 per cent below those of 1950; the actual decline must have been less, because freight charges increased. The most important factor, however, was undoubtedly the increase of 16 per cent in import volume, which in part may have been the result of the rebuilding of stocks that had been allowed to run down in 1950, and is to be compared with an increase of 3 per cent in the volume of exports (see Table IV).

TABLE IV. VOLUME OF U.K. TRADE, 1951-52

(1950 = 100)

	1951					1952
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Entire Year	First Quarter
Imports	106	117	123	117	116	110
Exports	99	107	102	105	103	108

Source: *International Financial Statistics*

With a view to checking the deterioration of its balance of payments, import restrictions were intensified in the United Kingdom. Most other countries in the sterling area also took similar action in the early months of 1952.

In the first half of 1951, the sterling liabilities of the United Kingdom to all countries increased by £425 million, to £4,168 million, and were then as high as they had ever been. By the end of the year they had fallen back to £3,807 million, not much above the level of £3,743 million at the beginning of the year. This movement was accounted for largely by changes in liabilities to other sterling area countries. These increased from £2,732 million at the beginning of the year to £3,100 million at the end of June, and then fell off to £2,789 million by the end of the year. There were considerable variations in the records of individual countries, but the sterling balances of the United Kingdom's dependent territories as a whole tended to increase throughout this period.

Further evidence of the inbalance in world trade is afforded by developments in the European Payments Union, whose members clear through its machinery not only their own transactions with other members, but also most of the transactions of their associated monetary areas. Until May 1951 the sterling area had a surplus in EPU, but subsequently it had deficits which reached a peak of $236 million in October. Although the monthly deficit has declined since then, the United Kingdom by the end of May 1952 had exceeded its quota, and reached the stage of 100 per cent gold settlement. Substantial invisible and capital transactions appear to have affected the EPU position of the sterling area, but an examination of the trade returns of the United Kingdom with continental OEEC countries, and of the latter with the rest of the sterling area, suggests that U.K. trade was a more important factor in the reversal of the sterling area's EPU position than was the trade of the other sterling area countries. The trade deficit of the United Kingdom increased, and the trade surplus of the other sterling countries decreased, the increase in the deficit, however, being substantially greater than the decrease in the surplus.

The balance of payments position of the next largest member of EPU, France, also deteriorated sharply in 1951. The over-all deficit of the franc area, which in 1950 had been $217 million, increased to about $1,000 million in 1951, almost entirely on account of goods and services. The terms of trade deteriorated by 9 per cent. The increase in the volume of exports (19 per cent) was only slightly greater than the increase in the volume of imports; the export surplus with the overseas territories increased moderately; and the trade deficit with other countries grew substantially. Although the monthly deficit in EPU decreased in March 1952, France was by that time in the 60 per cent gold settlement tranche of its quota.

The general balance of payments positions of a number of other EPU members improved. For example, the over-all deficit of the Netherlands decreased from the equivalent of $358 million in 1950 to $119 million in 1951; Belgium's 1950 deficit of $301 million was followed by a surplus of about $145 million in 1951; and Western Germany, which had a deficit of $653 million in 1950, had a small surplus in 1951.

The two largest members of EPU have been its heaviest debtors and three members, Belgium, Italy, and Portugal, have credit positions in excess of their quotas, requiring special arrangements for gold settlements. These are symptoms of the disequilibrium which has from time to time threatened a drain on the liquid resources of the Union. Some of the trade liberalization progress of EPU has been lost in an effort to reduce these payments difficulties. Free imports from other EPU countries were temporarily suspended by France and severely limited by the United Kingdom. Some creditors (especially Belgium) also introduced specific controls designed to reduce their monthly surpluses. These measures, taken together, may help temporarily to suppress the payments disequilibrium within Europe, but at the cost of retrogression in the field of liberalization.

Latin America's trade position with the United States shifted from a surplus in the first quarter of 1951 to a large deficit in the third and fourth quarters. An inflow of U.S. capital and of dollars received from exports to other countries maintained Latin America's reserves at a level in September 1951 which was still above that at the end of 1950; but they were declining sharply in the third quarter, and fell further in the fourth quarter. The Latin American republics as a whole continued to run a modest trade surplus with the OEEC countries until the fourth quarter of 1951. The terms of trade of Latin America as a whole are down from the level of early 1951, but may still be above the level of the first half of 1950. Canada's over-all surplus fell from Can$642 million in 1950 to about Can$240 million in 1951, less than a quarter of the decline being accounted for by a worsening of the goods and services balance.

Continuance of Inflationary Pressures

Balance of payments developments since the outbreak of hostilities in Korea in June 1950 afford another illustration of the inevitably close relationship between balance of payments difficulties and inflationary pressures. It was impossible immediately after hostilities began to predict confidently the course of events. In fact speculative purchases, the increased cost of imports, and the expansion of military outlays produced, in a situation where there were already inflationary potentialities, a mixture of cost and income inflation in both industrial and primary producing countries. The fact that steps were not taken in time to minimize these inflationary forces and to neutralize their impact was the outstanding element in the reversal after the middle of 1951 of the favorable balance of payments position that had developed earlier in many countries.

The commodity boom of 1950 might have been kept within bounds if there had been a more widespread and prompt use of monetary policies and more effective coordination among countries in government stockpiling. This would have reduced the inflationary pressures felt during the first phase of the Korean war and would have smoothed the transition to rearmament economies. The increase in defense expenditures would have required in any case a reduction of the proportion of national expenditures directed toward civilian goods, and it was particularly desirable that any further complications through wide swings in terms of trade and speculative buying should have been avoided. Some changes in the terms of trade and in the balance of payments positions of raw material producing countries may well have been inevitable; but if it had been possible to moderate the inflationary impact of these changes, the subsequent sharp reversal in international reserves would have been limited.

In some countries, indeed, considerable progress has been made in recent months in the fight against inflation. Uncontrolled inflation has not yet altogether ceased to be a danger, but the threat today is generally not so great as it was a year ago. Even, however, where internal stability has been temporarily attained, the measures taken have often been insufficient to ensure that it will be permanent. The main test of stabilization policy will come when rearmament expenditures reach their maximum.

During the first few months of the Korean war, the upsurge of speculative demand and the consequent increases in the prices of imported raw materials led in most industrial countries to a sharp expansion in bank credit. This expansion was slowed down after March 1951 by the decline in raw material prices, the tightening of credit and money market conditions, and stronger consumer resistance in reaction to the earlier spate of buying. In the United States, for example, commercial bank loans to business and individuals, which had increased by 21 per cent during the nine months ended March 1951, increased further during the subsequent nine months (April 1951-December 1951) by only 6 per cent. There was a similar slowing down in the rate of bank credit expansion in other countries, including Canada, the Netherlands, Italy, Switzerland, and Western Germany. This relaxation of inflationary pressures in industrial countries can also be seen in the movements of their cost of living indices during these two periods. The U.S. cost of living index, which had increased by 8 per cent from June 1950 to March 1951, rose by less than 3 per cent between March 1951 and December 1951, and declined slightly in the first quarter of 1952. Cost of living increases have similarly slowed down in most of Western Europe, particularly where an effective monetary policy had been adopted, as in the Netherlands, Belgium, Denmark, Finland, and Italy.

The tendency toward a reduction of inflationary pressures in the latter part of 1951, was, however, less obvious in some other industrial countries, including the United Kingdom and France. In the United Kingdom, commercial bank credit to business and individuals continued to expand until October 1951, when it was 15 per cent higher than a year before. The continuance of inflationary pressures in the United Kingdom at a time when they were diminishing elsewhere can be traced in part to its greater dependence on imported food and raw materials, to its efforts to rebuild the stocks which had been allowed to run down when prices first began to rise, and to the speed and magnitude of its rearmament effort. A high level of reconstruction and investment has also continued to be an important factor. The difficulties of the United Kingdom were, moreover, prolonged by the delay in making adequate use of the weapons of monetary control. Throughout the postwar period, commercial banks in the United Kingdom have been subject to a form of selective credit control, and since 1948 there has been a tendency for interest rates to rise gradually. But the decisive break from cheap money policy came only in November 1951, when the discount rate of the Bank of England was raised, for the first time since 1939, from 2 to 2.5 per cent. In March 1952 the discount rate was raised further, to 4 per cent. In the meantime, the liquidity of the banking system was also reduced by funding a part of the floating debt. The consequent change in the financial climate of the country slowed down the expansion of bank credit to a considerable extent in the first quarter of 1952. It did much to restore confidence in sterling and to reverse the outflow of capital.

In France in the first part of 1951, political circumstances hampered the adoption of fiscal and monetary measures firm enough to check inflation, when military expenditures and a large investment program are taken into account. France has maintained elaborate quantitative restrictions on credit, and the discount rate of the Bank of France, which had been reduced prior to the outbreak of hostilities in Korea, was raised in October 1951 to 3 per cent, and in November to 4 per cent. The Government's finance program announced early in 1952 proposed to reduce some noninvestment expenditures, and to link investment outlays more closely to the borrowings available from genuine savings.

Inflationary developments in the raw material producing countries have followed a slightly different pattern. In some of them, e.g., Egypt, Venezuela, Costa Rica, and the Dominican

Republic, the growth of the money supply during the nine months ended March 30, 1951 was moderate. In most of them, however, the money supply increased rapidly in response to the improvement in their foreign exchange positions. This expansion was checked sharply after March 1951, when raw material prices began to decline and import controls were liberalized. During the last nine months of the year, the money supply actually declined in India, Ceylon, the Philippine Republic, and Uruguay. In most of the other raw material producing countries, with the exception of a few such as Chile, the increase was quite moderate in comparison with the earlier period. In Australia the growth in the money supply ceased after April 1951. Australian imports, however, rose sharply during the last nine months of 1951, and there was a large trade deficit which would have resulted in a contraction of the money supply, if there had not been an increase of 18 per cent in bank advances, the greater part of which was used to finance temporarily heavy stocks of imported goods.

The spectacular increases in the money supply during the first phase of the reaction to the Korean war were not, however, entirely a consequence of external factors; in many raw material producing countries there was also a speculative wave of demand fed by an expansion of bank credit. The boom in raw material prices, indeed, made it possible for many underdeveloped countries to raise extraordinary revenues through higher export duties which had been intended as an anti-inflationary measure, or by multiple currency practices. Countries such as Ceylon, India, and Indonesia were thus able to reduce their budget deficits, and some of them were for some time able to a greater extent than before to finance developmental projects from current revenue. But the decline in export receipts during the latter part of 1951 has in some countries raised again the problem of financing capital expenditure by normal taxes and genuine savings. In order to maintain exports at satisfactory levels in the face of declining raw material prices, export duties have been reduced, and budget deficits of uncomfortable proportions have begun to reappear.

The foreign exchange reserves accumulated in the first phase of the Korean war enabled many countries during the readjustment phase to counteract the inflationist impact of re-emergent budget deficits by increasing imports. But this remedy against domestically generated inflationary pressures involved a deficit on current external account and could be applied for only a short time. It is now, however, coming to be more generally realized that financial stability is an essential element in schemes for rapid economic progress. The difficulties of a country with limited administrative resources in collecting taxes and utilizing domestic resources have sometimes been exaggerated; recent experience in some countries, such as the Philippine Republic, has shown that much can be achieved by improving tax collections. At the same time, if the development of these countries is not to be unduly retarded, an expansion of the flow of long-term international capital is required. This objective will not be attained without the active cooperation of both the countries receiving capital and those supplying it. Despite setbacks in certain areas, there have been some indications in recent months of willingness to adopt policies to attract investments to underdeveloped countries.

In India the bank rate was increased in November 1951 from 3 to 3.5 per cent, and there was a partial withdrawal of support for government bonds. At the same time domestic production had increased considerably during the year, while foreign demand for jute and cotton had slackened. Some stringency in the money market followed in the early months of 1952, which forced a general dishoarding of commodities, and there was a sharp fall in the wholesale price level in March 1952. Since that time prices have recovered a little. Australia, which in 1951-52 budgeted for a substantial surplus, has a system of quantitative credit controls, but interest rates have not been a major instrument of monetary policy. The strain of rapid development and the regulation of wages in accordance with movements of the cost of living meant a continuous rise in the cost of living in Australia during 1951, even after the prices of raw materials had begun to decline.

Rearmament Expenditures

During the first year of the Korean war, defense expenditures did not increase sharply except in the United States and, because of military operations in Indo-China, in France. In the United States these expenditures were roughly $26 billion in the fiscal year ended June 1951, and about $47 billion in the fiscal year ended June 1952, when they were covered largely by higher tax yields. For fiscal 1952-53 the expenditures are estimated at some $60-65 billion and a sizable deficit is expected. The intensification of the conflict in Indo-China led to a substantial increase in military expenditures in France prior to the outbreak of hostilities in Korea; a further increase in 1951 brought total military expenditures in that year, in money terms, to more than twice the 1949 level.

In some countries, such as Yugoslavia and Turkey, defense expenditures have been maintained at the high level that had been reached earlier. They have increased in the United Kingdom where, during the fiscal year 1952-53, they are expected to total approximately £1,500 million (against £750 million in 1949-50). Over the period 1949-51, defense expenditures have increased substantially in other European countries. This intensification of rearmament efforts has not led so far to any serious imbalance in government budgets except in France, but defense expenditure is still expanding, and the stresses and strains of this expansion are widely felt. Some countries have had to revise downward their immediate plans for rearmament expenditure, and the need for further U.S. military and economic assistance has been pressed more strongly than was envisaged a year ago.

Anti-inflationary Measures

As pointed out above, the instruments of monetary policy have been used more widely during the past year, particularly in the industrial countries of Europe and North America, to cope with the resurgence of inflationary pressures; interest rates have been raised, and quantitative and qualitative controls over credit have been more extensively applied. Fiscal policy has also been adapted in some countries with a view to checking inflation. To some extent, direct controls, relaxed before June 1950, have been imposed. The movement toward direct controls is not widespread, however, and recent extensions have affected mainly raw material allocations, foreign trade, and wages.

Among the fiscal measures adopted in the last year, the reduction of subsidies on consumption in countries such as India, the Netherlands, and the United Kingdom is noteworthy. In order to avoid increases in the cost of living and in wages, subsidies have often been used to offset the effects of increased costs upon prices. Recently, however, there has been a tendency to cut these subsidies substantially. The immediate anti-inflationary significance of these decisions has sometimes been small, because of counterbalancing tax concessions and the wage adjustments that might be made. Nevertheless, these changes, in addition to being significant as a move toward the restoration of an effectively working price mechanism, serve to emphasize the basic need in all anti-inflationary efforts. Whether inflationary pressures are generated by an effort to use more resources than are in fact available—in response, for example, to rearmament or development demands, or to changes in the terms of trade—the central problem is to persuade people to accept the inevitable cuts in real consumption and in investment for civilian production. This requires that money wages and money profits should not be increased in an effort to compensate for higher taxation or higher costs of materials and consumer goods. The realization of this objective demands high standards of public responsibility and willingness to accept a plan for distributing the sacrifices that are unavoidable.

Some of the more significant increases in bank discount rates since June 1950 are shown in Table V. In Belgium the rate

TABLE V. DISCOUNT RATES IN SELECTED COUNTRIES

(In per cent)

	June 30, 1950	April 30, 1952
Canada	1.5	2.0
United States	1.5	1.75
Austria	3.5	5.0
Denmark	3.5	5.0
France	2.5	4.0
Western Germany	4.0	6.0
Sweden	2.5	3.0
United Kingdom	2.0	4.0
South Africa	3.5	4.0
India	3.0	3.5
Japan	5.11	5.84
Bolivia	5.0	6.0
Chile	6.0	8.0

was first raised to 3.75 per cent, but later reduced to the pre-Korean level of 3.25 per cent; in Finland, after an increase to 7.75 per cent, the rate was returned to 5.75 per cent; and the rate in the Netherlands, after being raised from 2.5 per cent to

4 per cent, was subsequently reduced to 3.5 per cent. In Yugoslavia, where interest rates formerly played only a nominal role in the economy, the National Bank of Yugoslavia has established, as part of the process of reorganizing the Yugoslav economy on a market basis, a series of rates averaging around 4.5 per cent. In several countries the rate has not been changed, e.g., Italy (4 per cent), Norway (2.5 per cent), and Switzerland (1.5 per cent). Nor, except in India, Bolivia, and Chile, has there been any widespread tendency to raise discount rates in Asia or Latin America.

In addition, several countries have allowed long-term rates on government bonds to fluctuate more freely. Even where the policy of supporting government bond markets has not been completely abandoned, there has been an orderly withdrawal of support, and the market yield on government bonds in many countries has consequently increased. During the two years ended April 1952, the yield on long-term government bonds increased by about 4/5 per cent in India and Canada, by about 2/3 per cent in New Zealand and Australia, 1/2 per cent in the United Kingdom and the Union of South Africa, 2/5 per cent in the United States and the Netherlands, and 1/4 per cent in Sweden. Interest rates on short-term government securities have also generally been allowed to rise. The policy of higher interest rates has been supplemented by quantitative and qualitative credit controls, which have themselves tended to raise the level of interest rates.

The general effect of restrictive credit policies has been to curtail speculative investment, mainly in inventories, and to dissipate inflationary expectations. Once these objectives are achieved, it may be possible to relax credit restrictions to some extent. If unemployment should rise to a level regarded as unacceptable, some relaxation of credit might become inevitable.

The tendency toward easing credit in order to meet the changing requirements of the situation is already evident in some countries. Early in April 1952, credit controls were lifted in the Netherlands, and the reduction of bank rates in Belgium, Finland, and the Netherlands has already been mentioned. In the United States and Canada some of the selective credit controls and informal credit restrictions imposed on commercial banks have also been relaxed or withdrawn in recent months. In some countries steps have been taken to prevent higher interest rates from unduly retarding housing construction.

For a variety of reasons unemployment remains comparatively high in some countries of Western Europe, such as Belgium, Denmark, Western Germany, and Italy; in certain other countries, including the Netherlands and the United Kingdom, it has increased in recent months from previous low levels. There has been no tendency toward greater unemployment in the United States, where average unemployment, as a percentage of the total labor force, declined from 5 per cent in 1950 to 3 per cent in 1951, and was smaller in the first quarter of 1952 than in the corresponding period of 1951 (3.2 per cent against 3.8 per cent). To some extent, increases in unemployment have been due to the temporary resistance of consumers after a spate of buying, or to causes requiring some reallocation of productive resources. Thus, the recession in the clothing and textile industries of the United Kingdom, the Netherlands, and Western Germany is explained in part by the revival or building up of textile industries in other countries and the overstocking of earlier months. In some countries, the intensification of import restrictions elsewhere has also been a cause of unemployment. The unemployment trend in Western Europe needs to be seriously watched, if only because it might weaken the resolve to reduce inflationary forces and might give a cumulative turn to the recent restrictive international trade measures. While certain types of chronic unemployment may require joint international action, steps have already been taken independently in some countries to counteract the recent tendency toward unemployment. For example, an extension of public works is proposed in the Netherlands, and military orders are being more swiftly directed to the depressed industries in, for example, the United Kingdom and the Netherlands. The line of demarcation between inflation and deflation is necessarily a matter for delicate judgment. It has yet to be seen whether the unemployment that has appeared calls for anti-deflationary policies or whether it is the result of the cessation of inflationary pressures and of the shifts in production which must accompany the attainment and maintenance of internal stability and external solvency.

International Payments Prospects

The readjustment of the payments disequilibrium between the dollar and non-dollar areas was being made easier in the early part of 1952 by the re-entry of the United States into the market for certain key commodities and by the foreign financing program of the U.S. Government. There were also some favorable developments that pointed to a more fundamental solution of the payments problem. The more general use of monetary and fiscal measures to keep effective demand within the limits of availabilities suggests a better understanding in many countries of the real nature of the problem.

With inflationary pressures still active in many countries, however, such balance of payments improvements as have been recorded recently have been achieved to a large extent at the cost of further trade and exchange restrictions and the additional distortion of trade that these restrictions are likely to involve. By reducing the supply of goods, these restrictions indeed will strengthen the forces of inflation. As rearmament expenditures increase, the supply of goods on the home market may be further restricted. The effects of political developments upon the level and timing of rearmament expenditures inject into the situation a further element of uncertainty. Demands for wage increases may upset the precarious balance between demand and supply and thus generate fresh inflation. Finally, there are still some important divergences between prices in dollar and non-dollar markets, which distort the normal course of international trade, impede the attainment of competitive prices, and threaten to complicate the present pattern of exchange rates.

Summary and Conclusion

It is a melancholy fact that seven years after the end of the war the Fund has to report that international payments are still far from having attained a state of balance and that exchange difficulties and exchange restrictions are again, over large parts of the trading world, the order of the day.

In the years immediately after the war, disequilibrium in the world exchange markets was inevitable. The task confronting all countries at that time was primarily to restore and modernize production facilities after a long war which had caused great destruction, had altered prewar debtor-creditor relations, and had prevented normal capital investment. At the same time consumers were eager to replace their old, worn-out durable goods and purchase other consumers' goods which for so many years had been in short supply. Without substantial balance of payments deficits, many countries would have found it impossible to restore production rapidly and to make good consumption deficiencies. These deficits were partly covered by large-scale aid from abroad.

During the past few years, however, the restoration of production facilities has resulted in a volume of output—particularly of industrial output—throughout the world substantially higher than prewar levels. In spite of this, balance of payments pressures have never been entirely absent in many countries, and though the pressures have on occasion been relieved by singularly favorable circumstances—such as very high export prices—exchange difficulties have never been far from the surface, and any adverse change in circumstances has threatened to cause them to emerge in the form of a fresh exchange crisis.

It has been argued above that a basic reason for the persistence of these balance of payments problems so long after the restoration of production is that certain countries—and they constitute a large part of the world—have followed policies aimed at achieving higher levels of consumption and investment than could be covered out of the real resources available. The result has been a situation of inflationary pressure throughout the world that in certain countries has been aggravated by the emergence of a new important claimant on resources in the form of rearmament. The inflationary pressure has not been uniform; some countries have taken more effective and timely anti-inflationary action than others; some have disposed of much greater reserves of productive capacity than others and so have been able to satisfy out of their own resources the growing demands of consumption, investment, and government, including rearmament expenditures. Inflationary pressures have tended to spill across the frontiers. They have created excessive demands for imports and reduced the quantities of goods available for export to parts of the world less subject to inflationary strains.

In this situation the use of exchange restrictions and quantitative import controls, frequently of a discriminatory nature, has seemed inevitable to many countries; and during the past year there has been a tendency to extend and intensify these restrictions and controls. Even where the long-term consequences of the measures adopted were clearly understood, the need for immediate action to deal with a critical situation has made it difficult to give adequate attention to them. In consequence, the treatment of exchange problems has frequently been symptomatic rather than radical: it has been aimed at the outward manifestations of balance of payments pressure rather than at its causes.

Restrictions and prohibitions and discriminations inevitably exert a strong influence on the structure of production and on the allocation of resources. The direction which they give to production and to the allocation of resources is not always determined by considerations which might be relevant in a system of rational "planning": it is often accidental, dependent as it is on the selection of goods as proper objects of import restrictions and discrimination. Goods considered by the authorities to be relatively less essential tend to be a favored object of import restrictions. In countries dealing with their balances of payments problems in this way, an incentive is thus given to the production of goods of this kind. At the same time, there is no adequate incentive to increase, or even maintain, the production of certain basic foodstuffs and raw materials, the shortages of which are an important factor perpetuating international disequilibrium. Attempts to meet payments problems by relying on the shelter of import restrictions or on the assistance afforded by other countries' import discriminations are likely, over a period of time, to lead to a more wasteful and inefficient allocation of resources and make the countries relying on these methods less, rather than more, capable of dealing effectively with their international payments problems.

The undesirable long-run consequences of exchange and import restrictions are often well known to the authorities of the countries applying them. Their continued use reflects in part the great difficulties that are felt to lie in the way of eliminating the basic inflationary causes of balance of payments deficits. Attempts to deal with inflation encounter resistance on the part of those who fear that such attempts must result in a spiral of deflation with all its evil consequences in the form of unemployment and loss of production. No one, however, would wish to initiate a spiral of deflation, and it cannot be assumed that a well considered program for controlling inflation will necessarily have this effect.

The countries which, through their membership in the Fund, have subscribed to the objectives of expansion and balanced growth of international trade and currency convertibility have other economic objectives as well, such as a high level of employment, economic development or economic stability, high or minimum standards of living. In the short run for particular countries there may be difficulty in reconciling the claims of all these objectives. In such circumstances it is the function of the Fund to provide a forum for discussion. The judgment is embodied in the Fund Agreement that the balanced growth of international trade, with the highest degree of multilateralism, currency convertibility, and currency stability, will itself be of major assistance in helping countries to attain their other basic economic objectives. It is the duty of the Fund constantly to remind countries of the weakening effects on the world economic structure of the mere symptomatic treatment of exchange difficulties, and to urge them to give careful consideration to the question whether the policies they adopt set up incentives that lead, over a period of time, in the direction of international balance, or in the opposite direction.

In the last resort, the maintenance of monetary stability depends upon the policies adopted by the domestic monetary authorities. In relation to every sector of economic policy, it is indeed the duty of all countries to recognize their mutual responsibility for each other's welfare, and for many purposes it is important to distinguish between inflation imposed by external forces and inflation that has been generated domestically. The distinction can, however, easily be pushed too far, if it encourages the belief that the external causes of inflation are always predominant, that individual governments are therefore helpless to deal with an inflationary situation, and everything must wait for decisions to be taken by other more powerful governments abroad. Even when external conditions are most unfavorable, there is much that can be achieved by domestic measures.

The task of restoring a balanced system of international settlements that will function without periodic breakdowns is indeed formidable, even under the most favorable circumstances. To urge that, with this objective in view, more serious attention must be paid to the importance of monetary and fiscal policy in no way detracts from the overriding importance of maintaining and raising the level of world output. The fruits of postwar investment are now becoming available in increasing volume, but the world is still confronted with urgent production problems. There have been profound shifts of economic power as between different countries since before the war. New products have emerged and new demands developed. The old multilateral patterns of international settlement have been disturbed and new, more stable patterns have not yet replaced the old. International payments equilibrium would be brought much nearer if, for example, the output of raw materials such as coal, and of foodstuffs such as wheat, could be expanded on an economic basis so that the need for dollar imports of these commodities would be reduced. The protective stimulus that restrictions give to the production of less essential goods and services has indeed been one of the factors that have caused the production of basic foodstuffs to lag behind the world's requirements.

This situation is one that calls for the most efficient possible allocation of resources on the part of all countries, for a very high degree of competitive strength, and for the maximum degree of flexibility in national economies in making the inevitable adjustments to changing circumstances, such, for example, as the reviving productive capacity of Germany and Japan. In making these adjustments each country should have regard to its trading position with all others as well, of course, as to its competitive position at home, and it should not allow an excessive preoccupation with any single market to deflect it from seeking to make its adjustments on the widest possible basis.

The efficient allocation of the world's resources also requires that continuous attention should be given to the problems of economic development. Wisely planned development will strengthen the balance of payments of countries whose natural resources have hitherto been neglected. The use of inflationary means of finance to promote development, however, often creates balance of payments difficulties, and even the development that it produces sometimes turns out to be disappointing. The underdeveloped countries need themselves to undertake measures that would assure for development some flow of resources from their own savings. No comprehensive program of development is possible, however, unless there is a larger flow of foreign capital to the underdeveloped countries than has been the practice in recent years.

If, in this Report, great stress has been laid on the maintenance of internal monetary stability, it is because, in the judgment of the Fund, the balance of payments difficulties of the past couple of years have been due mainly to the attempt of many countries to do more by way of consumption, investment, and government expenditure than could be managed with the resources available to them. But it is obvious that the task of reestablishing a healthy pattern of international payments must be undertaken as much by the countries that achieve persistent surpluses in their balance of international payments as by the deficit countries. Obstacles placed by the surplus countries on imports, whether in the form of increased tariffs, import quotas and prohibitions, customs administration, or in any other way, may frustrate even the most strenuous efforts of the deficit countries to achieve international balance without resorting to restrictions. For this reason, the Fund expresses its earnest conviction that all countries in a strong balance of payments position should take all practicable means of reducing barriers to international trade as their most effective contribution to the restoration of a balanced world economy.

II

The Use of the Fund's Resources

DURING the past two years, the policies and practices of the Fund with respect to the use of its resources have been under continuous review by the Executive Board and the staff of the Fund, and several important decisions have been taken. The proposal approved by the Board on May 2, 1951, mentioned in last year's Annual Report, had indicated in broad outline the circumstances in which it was expected that the Fund's resources might be made available to give confidence to members in undertaking practical programs of action that would help them to solve their problems and achieve the purposes of the Fund Agreement. At the Sixth Annual Meeting of the Board of Governors in September 1951, several Governors made statements on the use of the Fund's resources which required further clarification of the circumstances in which the Fund would act as a secondary line of reserves for its members.

In examining further this problem during the last year, the Executive Board has endeavored to reach a clear understanding of the considerations that should determine the period of time beyond which it would not be appropriate that foreign currency purchased from the Fund should remain outstanding. In this way it was intended to obtain a satisfactory working definition of the concept of "temporary assistance in financing balance of payments deficits on current account for monetary stabilization operations." [1] The Executive Board had, in its interpretation of September 26, 1946, declared that the Fund's authority to use its resources was limited to use in accordance with this purpose. The study of Fund policy has been made in the light of the world developments described in Chapter I, including the reduction and reorganization of U. S. foreign economic assistance. The decisions taken are intended to safeguard the revolving character of the Fund's resources, which is a main concern for both the Fund and its members, and at the same time to facilitate the use of the Fund's resources by members which will pursue financial and payments policies and practices that would enable them to make more rapid and significant progress toward the establishment of the stable system of nondiscriminatory multilateral trade which is one of the Fund's objectives.

The most important step taken during the year in the evolution of policy in this field was embodied in a decision of the Executive Board on February 13, 1952, which is reprinted in Appendix I. The principle underlying this decision was that exchange purchased from the Fund should not remain outstanding beyond a period reasonably related to the payments problem in respect of which it had been purchased from the Fund. The Fund's resources would thus not become frozen. With this in mind it was decided that, as a general rule, any increase in the Fund's holdings of a member's currency originating from transactions by the member should be reduced within a period not exceeding three to five years.

In arriving at this decision, the Executive Board was aware that in present conditions an increased use of the Fund's re-

[1] *Report of the Executive Directors and Summary Proceedings, September 27 to October 3, 1946,* p. 106.

sources might contribute to the solution of the payments problems now confronting some of its members and could at the same time promote the achievement of the purposes of the Fund. It was recognized that the transition from a period of relatively modest use of the Fund's resources to one of more active use in appropriate cases would not be easy. It could be facilitated, however, by a concrete and practical procedure, which would give increased confidence to members that the Fund's resources would be available to them with adequate safeguards.

To protect the revolving character of the Fund's resources, it is necessary that, after the Fund's holdings of any member's currency have increased, the member's original position with the Fund should in due course be restored.. This might be assured by subsequent purchases of the member's currency by other members. For many currencies such transactions are unlikely, and the Fund Agreement imposes a further obligation upon members to repurchase their currencies from the Fund with gold or convertible currencies, when their monetary reserves, as defined by the Fund Agreement, have increased. In some circumstances, however, members' reserves are unlikely to increase sufficiently to create a repurchase obligation, even if the general economic position of the member has substantially improved. To ensure that in no case would a repurchase be too long delayed, the Board's decision of February 13 accordingly outlined a procedure to ensure that in future as a general rule a member's position with the Fund would be restored within the period defined above.

The Executive Board had adopted, on November 20, 1951, a new schedule of charges (described below), which considerably shortened the period that may elapse before a member is obliged to consult the Fund on means by which the Fund's holdings of its currency can be reduced. For example, in regard to excess balances not more than 25 per cent above the quota, consultation is now required three years after the foreign currency purchase which raised the Fund's holdings of the member's currency above the quota, whereas under the original rules, which remain in effect in respect of excess balances accumulated before December 1, 1951, the point at which such consultation was required was at the beginning of the seventh year. The decision of February 13 contemplates that, in the course of these consultations, the Fund and the member should agree upon appropriate arrangements to ensure that within five years of each purchase by the member there should be an equivalent repurchase of the Fund's holdings of its currency unless they had otherwise been reduced.

Where a drawing by a member increases the Fund's holdings of the member's currency from not less than 75 per cent to not more than 100 per cent of its quota, the foregoing procedure is not applicable because charges are not payable on such holdings. In such cases, where the Fund's holdings of a member's currency have not otherwise been reduced within three years to the level at which they were before the drawing, the member will be requested by the Fund to agree upon a similar arrangement for repurchase within five years.

In suitable cases the Fund may permit drawings to deal with special short-run situations accompanied by arrangements for repurchase within a period not exceeding 18 months.

When unforeseen circumstances beyond a member's control make it unreasonable for repurchases to be completed within the periods involved in this procedure, the Fund will consider extensions of time.

In requesting use of the Fund's resources in accordance with these arrangements, a member will be expected to include a statement that it will comply with the principles outlined above.

In making its resources available to members, the Fund will be guided in the main by its judgment whether a member's policies are likely to be adequate to overcome its problems within a temporary period. The Fund will also take into account other aspects of the member's creditworthiness, and particularly its past record with the Fund. Special provision has been made in the Board's decision with respect to what are sometimes called drawings within the "gold tranche." This term refers to drawings by a member which do not increase the Fund's holdings of its currency beyond an amount equal to its quota. Where the Fund holds less than this amount of the currency of a member, this is because the amount below the quota represents the member's original gold subscription to the Fund, or repurchases of its currency with gold or convertible currencies which it has made, or purchases of its currency by other members. The Board has stated that for drawings within the so-called "gold tranche" members can expect to receive "the overwhelming benefit of any doubt" which might arise in connection with requests to make such drawings.

In making the decision of February 13 effective, the Fund will necessarily proceed on a case-by-case basis. By this means a body of practical criteria will gradually be built up. For example, the Fund could be of material assistance to a member that was taking measures likely to be effective in controlling an actual or threatened inflation, or that was carrying out a stabilization program. If a member was laboring under a heavy foreign exchange burden because of payments arrears, the Fund would be prepared to cooperate in working out the requisite administrative arrangements to cope with this problem and might also, in appropriate instances, provide emergency financial assistance for short periods. These are but a few examples of the kind of situation in which the Fund and a member might reach an understanding providing for access to the Fund's resources.

Access to the Fund's resources is not to be denied to a member because it is in difficulties. It is precisely in such cases that the Fund's resources can perform an important role. Again, it is not the intention that drawings should be confined to meet specific and defined problems. At times the Fund and a member might discuss the member's general situation, not for the purpose of arranging an immediate drawing, but with the aim of giving the member assurance that it would be able to rely on use of the Fund's resources if the need should arise within a short period. The Fund will always be willing that its members should approach it with a view to reaching an understanding on access to its resources. In suitable cases where the use of its resources appears to be an appropriate means by which a member could meet its difficulties, the Fund itself will take the initiative.

The decision of February 13 will be effective until December 31, 1953 and will be reviewed before that date. Its principles will be an essential element in any determination by the Fund as to whether a member is using the resources of the Fund in accordance with the Fund's purposes. It is hoped that the procedural arrangements will help to simplify the task of the Fund in ensuring, in close and friendly collaboration with its members, that the use of its resources will not be unduly protracted, and will thus facilitate their broader use.

A further development relating to the use of the Fund's resources was embodied in a Fund decision of June 19, 1952, which was made in response to a request from Belgium. This development involved the first request received by the Fund after the decision of February 13 for a stand-by arrangement rather than a drawing, the possibility of which had been noted in that decision. The Fund considered that Belgium had followed policies directed toward the Fund's objectives and noted that its previous use of the Fund's resources had been in accordance with the purposes of the Fund and had been concluded by a repurchase. In order to help Belgium to maintain its progress in achieving these objectives, the Fund recognized its need in the present international situation to conclude such an arrangement. Moreover, Belgium's payments position was the key to a significant part of the payments problems of a number of other Fund members in Western Europe. With these considerations in mind, the Fund agreed that Belgium would have the right for a period of six months to purchase with Belgian francs on a revolving basis up to the equivalent of US$50 million in currencies held by the Fund. The agreement would be renewable for similar subsequent six-monthly periods, unless either Belgium or the Fund determined that conditions had been basically altered so that the arrangement should be terminated. In any event, the arrangement would not extend beyond five years. For this service Belgium would pay a fee of one quarter of one per cent, in addition to the usual service charge that would be payable in the event of Belgium actually purchasing currency from the Fund. Belgium would remain in consultation with the Fund from time to time on its payments situation and general policies. Belgium undertook that its purchases under this arrangement would be made in accordance with the Fund's purposes, and that it would observe the principles of the decision of February 13. Finally, although it seemed unlikely that in the months to come Belgium would need foreign exchange beyond the amount of the arrangement, the Fund stated that it would be prepared at any time to consider sympathetically a request for additional purchases of exchange consistent with the Articles of Agreement.

The Executive Board decision of November 20, 1951, referred to above, established a scale of charges for Fund transactions which revised the original scale set forth in Article V, Section 8, of the Fund's Articles of Agreement; this also has an important bearing on the use of the Fund's resources. The revised charges apply to transactions that take place and balances of members' currencies that accumulate during the period December 1, 1951 to December 31, 1952. The charges on a balance of a member's currency of not more than 25 per cent in excess of the member's quota, held by the Fund for more than nine consecutive months—or, in the case of larger excess balances, for more than six months—were raised, while the charges for shorter periods were lowered. At the same time the service charge levied on completion of a sale of currency to a member was reduced from ¾ per cent to ½ per cent. The effect of these changes taken together was to make it more expensive for members to make extended continuous use of the Fund's resources and to encourage use for short periods. At the same time, the period was considerably reduced at the end of which members whose currencies are held by the Fund in an amount in excess of their quotas are obliged to consult with the Fund on means to reduce the Fund's holdings of their currencies.

The old and the new schedules of charges on balances in excess of a member's quota are shown in Appendix II.

At the end of the financial year, questions relating to drawings in inconvertible currencies were still under active consideration by the Fund.

The Fund has also had under consideration the question of the part to be played by it in connection with the problems created by widespread recessions or depressions. The Articles of Agreement have entrusted to the Fund an important function in this field. The basic problem of depression cannot, however, be overcome by the availability of international short-term credit to be repaid in the next boom, whether this is credit from the Fund or from some other source. The cure for a depression will require national measures to maintain or stimulate effective demand, especially in the great industrial countries. It may take time, however, before these measures bring recovery. The Fund can assist members which in the meantime may be faced with serious balance of payments difficulties, and by so doing help to reduce the deflationary pressure on the world economy as a whole. A UN group of experts has recommended an enlargement of the Fund's resources so as to increase the effectiveness of its activities in such circumstances. The Fund has for some time had under consideration the question of increasing its members' quotas, having in mind such factors as the magnitude of possible balance of payments deficits in a depression and the fall in the purchasing power of money since 1946. It has, however, concluded that an increase in its resources is not a question for action at the present time. Its existing resources are by no means small as a source to finance cyclical balance of payments deficits. The Fund's resources, moreover, are secondary reserves and the ability of countries to maintain import demand in a depression will depend also on the size of their own reserves. It is important, therefore, that countries follow financial policies that will enable them to build up reserves in periods of prosperity which would provide a first cushion to absorb the shock of a recession.

Fund Transactions

During the 1951-52 fiscal year, Iran purchased US$8.75 million from the Fund for rials, and Brazil purchased US$37.5 million for cruzeiros. The procedure outlined in the Executive Board's decision of February 13, 1952 was used by Australia in April 1952, when the Fund agreed to allow Australia to purchase US$30 million for Australian pounds within a period ending

September 30, 1952. The purchase by Paraguay of US$875,000 for guaraníes was announced on June 9, 1952.

During the same fiscal year, five members repurchased amounts of their currencies from the Fund for gold and dollars. The repurchase obligations of Lebanon, Mexico, and Norway, mentioned in the 1951 Annual Report, were discharged during the 1951-52 financial year, the payment in each case reducing the Fund's holdings of the member's currency to 75 per cent of its quota. Further discussions with Peru concerning a repurchase obligation as of April 30, 1949 showed that no repurchase obligation had accrued. The computation of monetary reserves based on data supplied during the past financial year resulted in repurchase obligations for Brazil, Chile, and Peru as of April 30, 1950 and April 30, 1951, and for the Netherlands, Syria, and Turkey as of April 30, 1951. The members were notified of their repurchase obligations, and the Netherlands and Syria [2] discharged their obligations by payments of the equivalent of US$230,000.02 and $418,000, respectively, in gold, and Turkey [2] by payment of $4,997,729.07 in U.S. dollars. Before it had been notified of its repurchase obligation of $16,638,294.53 as of April 30, 1950, and of $48,860,696.21 as of April 30, 1951, Brazil undertook to repurchase the equivalent of US$65.5 million of the Fund's holdings of cruzeiros in installments of $15 million in June,[3] $25 million in July, and $25.5 million in August 1952. The Fund accepted this offer. Chile and Peru advised the Fund of their agreement with the monetary reserves computations, according to which Chile [4] had a repurchase obligation of $9,045,308.28, of which $1,884,318.19 is payable in gold and $7,160,990.09 in US. dollars, and Peru [3] an obligation of

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2 Payment was made in May 1952.

3 Payment has been received by the Fund.

4 Payment of the equivalent of $1,884,318.19 in gold and of $1,794,990.09 in U.S. dollars was received in May 1952. The Fund has agreed to defer payment of $5,366,000 until 1953.

$3,097,298.73, of which $2,324,465.16 is payable in gold and $772,833.57 in U.S. dollars. There were no voluntary repurchases during the year.

Between March 1, 1947, when the Fund commenced operations, and April 30, 1952, the Fund has effected exchange transactions equivalent to US$851.5 million, on behalf of 20 members. A summary of these transactions appears in Appendix III.

The repurchase transactions of the Fund, including mandatory and voluntary repurchases, effected up to April 30, 1952, are shown in Table VI.

TABLE VI. FUND REPURCHASE TRANSACTIONS
(In U.S. dollars)

	May 1, 1951-April 30. 1952		From Beginning of Operations until April 30, 1952	
	Gold	U.S. dollars	Gold	U.S. dollars
Belgium			9,460,423.29	12,125,283.46
Chile		3,434,000.00		3,434,000.00
Costa Rica			77,000.00	2,046,269.64
Egypt			829,766.03	7,678,163.64
Ethiopia				600,000.00
Lebanon	793,412.94	62,429.30	793,412.94	62,429.30
Mexico	14,898,050.93	7,599,963.92	14,898,050.93	7,599,963.92
Netherlands	230,000.02		230,000.02	
Nicaragua				498,676.07
Norway		9,560,948.86		9,560,948.86
Union of South Africa				9,985,314.69
Total	15,921,463.89	20,657,342.08	26,288,653.21	53,591,049.58

The Fund's holdings of gold increased during the fiscal year from $1,495.0 million to $1,531.6 million, as the combined result of the payments by Burma, Finland, and Sweden of that part of their subscriptions payable in gold, of adjustments of the subscription originally paid on a provisional basis by one other member in gold and its own currency, of repurchase with gold by three members, and of the payment of service and other interest charges in gold. On April 30, 1952, its holdings of currencies, including nonnegotiable, non-interest-bearing notes, amounted to the equivalent of US$5,743.2 million, of which

$1,283.2 million was in U.S. dollars. Of the other Fund holdings of convertible currency, the largest, $225 million, was in Canadian dollars.

At various points of time since the Fund started operations, exchange transactions have raised the Fund's holdings of the currencies of 12 members above their quotas. These members, therefore, became subject to the appropriate charges prescribed in the Fund Agreement. On April 30, 1952, nine members were currently paying such charges to the Fund. Three members with monetary reserves lower than one half of their quotas 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.

The total of the charges on balances in excess of quota amounted to the equivalent of US$2.4 million in the fiscal year ended April 30, 1951. In the year ended April 30, 1952, which is covered by this Report, the total was about $3.0 million. The increase of income from this source was mainly the result of the higher rates at which these charges are levied as the periods during which the excess balances are held by the Fund become longer.

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. After changing its agreed par value with the Fund during the year under review, Yugoslavia made the necessary additional payment to the Fund.

Computation of Monetary Reserves

There has been further progress in the past year in collecting from members the information necessary for the computation of their monetary reserves as defined in Article XIX. Monetary reserves data up to April 30, 1951 have been received from all members of whose currency the Fund's holdings exceed 75 per cent of the member's quota. Only three members have not complied thus far with the Fund's request for monetary reserves information. Monetary reserves data for April 30, 1951 have been received from 42 members. One of these reports is still incomplete, further clarification, which has not yet been received, being necessary. Four other members which supplied information for earlier years have so far not submitted monetary reserves data as of April 30, 1951.

The Fund has notified members of its willingness to make provisional calculations of monetary reserves and repurchase obligations in order that members may know as early as possible the probable magnitude of any repurchase obligation that may have accrued in a previous financial year. A member that wishes to have these provisional calculations made should submit preliminary monetary reserves data which should include (a) the holdings of gold and convertible currencies owned by the member's Treasury, central bank, stabilization fund, or similar fiscal agency; (b) an estimate of currency liabilities; and (c) information on any exclusions from monetary reserves claimed by the member in accordance with Schedule B, Paragraph 3, of the Fund Agreement. As more time is usually necessary to collect information on the holdings of other official institutions and other banks, and on the currency liabilities owed by these institutions, these data may be omitted from the preliminary reports, though any information which the member may be able to present will be taken into account in making the provisional calculations. It will still be necessary for the member to submit to the Fund complete monetary reserves data in accordance with the requirements of Rule I-6, so that a final computation can in due course be substituted for the provisional calculation.

The Fund is also willing to receive provisional payment on the basis of the provisional calculation if the member desires to make such payment. Final settlement of the repurchase obligation would be based on the complete calculation of the member's monetary reserves. If there are long delays before the final determination of a repurchase obligation can be made, and the repurchase itself is also correspondingly delayed, the obligation may have to be discharged at a time when the member's reserve position has deteriorated. Such risks would be diminished by the adoption of the procedure outlined above. Several members operating with an annually approved exchange budget or subject to considerable fluctuation in their monetary reserves positions have indicated their interest in the procedure.

III

Gold Policy

AFTER the completion of the study which the Executive Board of the Fund had, on March 7, 1951, instructed the staff to undertake, the Board, on September 28, 1951, issued a statement on external transactions in gold at premium prices. This decision, which modified the Fund's gold policy statement of June 1947, is reproduced in Appendix IV.

In announcing this decision the Fund reaffirmed its belief in the economic principles on which the statement of June 1947 was based, and urged members to support the policies which required that, to the maximum extent possible, gold should be held in official reserves rather than go into private hoards. It was felt, however, that in view of widely different conditions in different countries, it was impracticable to expect all members to take uniform measures in order to achieve the objectives of the policy, and, accordingly, the Fund left to its members the practical operating decisions involved in the implementation of the policy. In reaching this decision, the Executive Board was aware that some members might take strong measures, others weaker measures, and yet others no measures at all. Each member was left to be the judge of just how and to what extent it would implement this statement.

The efforts made in recent years to check premium gold sales have illustrated the difficulties that almost invariably arise when the adoption of strict controls is not reinforced by appropriate economic policies. As long as the inducement to seek means of evasion remains, controls, even if they remain necessary, will become less and less effective with the passage of time. The only effective way of getting rid of premium gold markets and private hoarding of gold over a period of time is to create the economic conditions under which the demand for hoarding will become negligible. Insofar as the demand for gold is a function of confidence in the value of the currency, the best way to reduce the demand for hoarding gold is to adopt budget and credit policies that will restore or maintain this confidence. In some countries, gold hoarding is a matter of social tradition rather than a means of safeguarding against the risks of currency instability. These habits will not change quickly, but may gradually weaken with the spread of banking and the growth of financial institutions which may lead to a wider preference for bank deposits, securities, or investments in productive enterprises.

As indicated in the statement of September 28, 1951, the Fund will continue to watch developments in the field of premium prices and gold hoarding.

Subsequent to the decision of September 1951, several members have permitted their gold producers to engage in external transactions at premium prices, under certain specified conditions. Newly-mined gold from Canada, Australia, Southern Rhodesia, and the British Crown Colonies of Fiji, Kenya, Tanganyika, and West Africa can now be sold in various forms in premium markets against U.S. dollars. At first such sales were limited in Southern Rhodesia and the Crown Colonies to 40 per cent of new production, but, as from May 1, 1952, this limitation has been withdrawn. No quantitative limits have been placed on premium sales in Canada and Australia. In all these countries certain measures designed to reduce evasion of the gold regulations of the country of immediate destination have been adopted with varying degrees of effectiveness. Canadian producers that elect to sell gold at premium prices are not eligible for a subsidy under the Emergency Gold Mining Assistance Act which, after consultation with the Fund, was extended for a period of two years from January 1, 1952. The general framework of regulations that govern premium sales by South African producers has remained unchanged.

Premium Gold Prices

During the year under review, there was a general decline in gold prices in nearly all the premium markets. During the first nine months of 1951, prices generally were firm, but within a few days of the Fund's policy statement in September there was a considerable decline. The price at which gold was traded in various markets directly for U.S. dollars dropped by almost $2 per ounce, and fluctuated between $38 and $39 per ounce. By April 30, 1952, it had declined further to about $37 per ounce.

U.S. dollar equivalent prices for bar gold in Bombay, Hong Kong, Paris, and other markets tended to follow the same general trend. A notable exception was Alexandria, where the price was slightly higher in April 1952 than in April 1951. The downward movement was particularly marked in Bombay, where, after a drastic price decline, the market was closed from March 4 to 18, 1952. There was subsequently a slight recovery, but at the end of April the Bombay price was still substantially lower than it had been a year earlier. Converted at the official rate of exchange, the price of gold per fine ounce in Bombay was $66.43 on April 13, 1951, $56.91 on February 28, 1952, $44.80 on March 15, 1952, and $53.06 on April 30, 1952. In Paris, the price of gold in terms of francs has fluctuated widely. Bullion was quoted at 490,000 francs per kilogram on July 2, 1951, at

633,000 francs on February 27, 1952, and at 511,000 francs on April 30. Converted into U.S. dollars at the parallel market franc-dollar rate, which has also fluctuated widely, this meant that the price of bullion per fine ounce was equivalent to $41.76 on July 2, 1951, $40.76 on February 27, 1952, and $39.24 on April 30, 1952.

Gold Production

Total world production of gold was smaller in 1951 than in 1950. This was the first year since 1945 in which there had not been a moderate increase. Valued at $35 per fine ounce, total output (excluding the U.S.S.R. and the countries associated with it) increased from approximately $736 million in 1945 to $844 million in 1950, but declined to approximately $826 million in 1951.

The largest absolute decline in 1951 was in the United States, where the trend of gold production since 1947 has been somewhat erratic. There was also a slight decline in the Union of South Africa and Canada. The largest relative decline was in Ecuador and Venezuela, where gold production came to a virtual stop during the year. Several other minor gold producers, including Colombia, the Philippine Republic, and the Belgian Congo, showed increases, though their output is still well below the prewar level.

On the whole the devaluations of September 1949 failed to stimulate the production of gold. Output in the sterling area was actually smaller in 1951 than in 1949, despite an increase of 44 per cent in the official price of gold. Additional revenue from premium sales in South Africa in 1951 was £6.7 million, more than three times the revenue in 1950, and representing an additional $1.70 (i.e., approximately 5 per cent of the official price) for every ounce produced. The record of premium sales in the early months of 1952 suggests, however, that this trend may not be maintained. Apart from the development of new mining properties in the Orange Free State, which have already begun production on a small scale, favorable price developments have not encouraged increased production in South Africa.

As a result of the uneven decline in gold production during World War II and the uneven recovery since 1945, there have been large shifts in the relative importance of the gold producing areas. Sterling area production increased from about 50 per cent of the world total before the war to nearly 60 per cent in 1951. Central American production increased from less than one half of one per cent of world production to almost one and one half per cent. On the other hand, the share of the United States declined from 13 per cent to about 8.5 per cent, and of Asia from 10 per cent to 4 per cent.

Gold Reserves and Private Holdings

A comparision between the volume of gold production in all countries outside the U.S.S.R. and its associates and the increase in the official gold holdings of these countries should indicate the extent to which their gold producers or their monetary authorities have made net sales of gold to industrial users, to private hoarders, or to the U.S.S.R. and its associates. There are, however, many imperfections in the data available for making this comparison, which nevertheless suggests that the amount of gold supplied for nonmonetary use and private hoarding was larger in 1951 than in any other postwar year.

The conditions that determine supply and demand in the premium market are still highly volatile and uncertain, and any prediction of the course of prices would be hazardous. Nevertheless, it seems certain that the recent decline in the premium price of gold has been due largely to the increased diversion to premium markets of newly-mined gold and, in a few cases, of gold held in official reserves. It can scarcely be regarded as a permanent solution of the problem to substitute for a market in which there was a small turnover at high prices one with a much larger turnover and, therefore, an increasing diversion of gold into private hoards, even if the price approximates more closely to the official price.

Gold Transactions Service

On March 21, 1952 the Fund informed its members that it was prepared to provide them with a regular technical service in connection with their gold transactions. On a few occasions in the past, when one member had wished to sell gold in a particular center and another to buy there, the Fund had been able to put the members in touch with each other, thereby facilitating a purchase and sale of gold with a saving of cost. It had been suggested by some members that the Fund might be able to perform this service more frequently by establishing a settled procedure.

In a letter of March 21, 1952 the Fund advised members of the details of such a procedure. Members intending to buy or sell gold and wishing to use the Fund's service were requested to furnish the Fund with all necessary information, on a confidential basis, as far in advance as possible, and the Fund would then attempt to match intending buyers and sellers. For this service, the Fund would ask each partner in a completed transaction to pay a charge of 1/32 of one per cent in dollars. The Fund would pay the normal charges and out-of-pocket expenses of the gold depository which are incidental to the transfer of the gold from the seller's account with that depository to the buyer's account with that depository.

The extent to which gold transactions can be matched will depend not only upon the conditions of supply and demand, but also upon the number of members that avail themselves of the service and the time made available to the Fund for arranging a transaction. The Fund is willing to discuss with any member the manner in which it can avail itself of these facilities. The response to the Fund's letter has indicated that many members are interested in the service, and use has already been made of it.

IV

Exchange Restrictions

IN signing the Fund Agreement member countries undertook, among other things, to work toward the objectives of nondiscriminatory multilateral payments and convertibility of currencies. In Article VIII, they undertook, unless otherwise authorized by the Fund, to avoid exchange restrictions on current payments, not to engage in discriminatory currency arrangements or multiple currency practices, and to maintain the convertibility of foreign-held balances. Because of the difficulties which at the time of the foundation of the Fund stood in the way of achieving these purposes and because of other difficulties then expected in the near future, exceptional arrangements were authorized for the postwar transitional period. In this transitional period the maintenance and adaptation (and the introduction by formerly enemy-occupied countries) of exchange restrictions were permitted (Article XIV, Section 2). Countries availing themselves of these transitional arrangements were, however, obliged to withdraw their exchange restrictions as soon as they were satisfied that they would be able to settle their balance of payments, in the absence of such restrictions, in a manner which would not unduly encumber their access to the resources of the Fund. According to Article XIV, Section 4, restrictions inconsistent with Article VIII, Sections 2, 3, and 4, that had not been removed by the end of the first five years of Fund operations, were to become the subject of consultations between the Fund and the member countries concerned. These consultations were started in March 1952. For the procedure being followed in the consultations, reference should be made to the Fund's Third Annual Report on Exchange Restrictions.

This period of consultation has begun at a time when the currencies of many countries are still not convertible and restrictions are still widespread. The great majority of member countries, i.e., 44 out of a total of 51, still avail themselves of the transitional arrangements of Article XIV.

Restrictions vary widely in form and intensity and in their significance for the maintenance of balance in the external accounts. The majority of countries maintain restrictions, either to limit the over-all level of their payments or to reduce in particular their payments to "hard currency" areas, this discriminatory aspect being an important feature of many restrictive systems. About half of the countries availing themselves of the transitional arrangements have multiple currency practices, with or without the use of other restrictions. These practices also differ from country to country, partly depending on the structure of exchange rates, including the combined use of official and free exchange markets with rates differing by more than one per cent. In some cases where there are free markets for foreign exchange, orderly cross rates are not maintained.

The restrictions adopted by some countries have impeded the efforts of others to return to normal conditions. Restrictions have also helped to distort price relationships. They have sometimes made it easier to delay fundamental readjustments and have created uncertainty and frustration. On the other hand, to many countries, in comparison with the probable consequences of abandoning restrictions, their maintenance has appeared to be the lesser evil.

A number of factors, particularly the economic devastation and disorganization brought about by World War II, caused many countries to feel obliged to isolate themselves to some extent from developments elsewhere by continuing to use restrictions, although presumably on a temporary basis. The transitional period, in fact, was foreseen for these reasons. In general, countries availing themselves of the transitional arrangements have considerably improved their internal economic positions, but although postwar reconstruction has been spectacular, and productivity and world trade have risen to new high levels, the world as a whole has not yet reached a position where the general liquidation of restrictions appears likely. In many countries basic policies that would render present restrictive measures superfluous have not yet been sufficiently developed. Though the extent and intensity of restrictions on payments and trade are less now than during the early postwar years, and though at one time or another there have been important relaxations of restrictions in most countries, they are still used by a majority of member countries in all areas of the world except North and Central America. Likewise, the widespread inconvertibility into dollars of many currencies affects a very large part of international trade and payments, although for some widely used currencies the range of transferability has been extended.

As the period during which restrictions are applied is prolonged, the disadvantages resulting from their widespread application tend to increase, while their advantages tend to diminish. Some of the considerations that originally compelled countries to resort to restrictive measures after the war no longer apply today. Some countries are not yet in a position to abolish restrictions immediately, but experience elsewhere has shown that determined action in the internal monetary field can lay the basis for further progress in the relaxation of restrictions. Relaxation of restrictions would be facilitated if more liberal commercial policies were adopted by surplus countries.

Whatever may have been the original purpose of restrictions, they inevitably have some protective effects on the national economy. Even if they were intended merely as stop-gap measures, they tend to become permanent unless they are relaxed and discarded at the earliest possible opportunity. Some countries that have improved their internal economic position now find themselves in a situation where further progress is impeded unless other countries keep pace with them.

There has recently been a growing tendency in certain countries to resort to more extensive use of new competitive exchange practices involving the use of "retention quotas" or special facilities for the acquisition of import rights. These devices permit exporters—usually in connection with sales for hard currency—to effect transactions that would not otherwise be permitted by the country's regulations. They have much in common with multiple currency practices, though their effects are sometimes disguised in price relationships. Serious problems may arise if there is extensive use of such instruments of policy which can readily be employed as weapons of economic aggression.

It is in the light of all these considerations that the Fund's attitude in the 1952 consultations toward restrictions in general and toward individual restrictive practices must be determined. In general, the belief that restrictions offer no appropriate or lasting solution of the fundamental difficulties that have led to their use leads to the conclusion that they are appropriate only if they are necessary for maintaining balance in the external accounts, and if their temporary character is assured by parallel measures which are simultaneously undertaken. However, this conclusion cannot be applied according to any simple formula. The wide variations of experience make it necessary to deal with the case of each country on the basis of a thoroughgoing and objective understanding of its problems and needs and the possibilities of alternative policies and practices. All the factors that may have led to the continued use of restrictions and the difficulties created by these factors have to be taken into account. Where the abolition of restrictions is not possible, the possibility of their gradual removal step by step should be considered. Where, for institutional, administrative, or other similar reasons, there is difficulty in removing restrictions, the Fund is anxious to cooperate with members in working out programs, short-run or long-run, for alternative policies that may help to provide a more fundamental solution of their problems and to help to establish an international community whose economic relations will be more in harmony with the Fund's objectives.

The Fund views the current consultations as a valuable opportunity for a consideration of present economic policies by all member countries still availing themselves of the transitional arrangements of Article XIV. The Fund holds that the prevailing difficulties and uncertainties increase the importance of international cooperation and of the establishment of exchange arrangements which in the end will benefit every one and for the promotion of which the Fund was expressly created.

V

Par Values and Exchange Rates

Par Values in 1951-52

DURING the fiscal year 1951-52, initial par values were agreed with three members of the Fund. A par value of 230 markkas per U.S. dollar was established for the Finnish markka on June 27, 1951, of 5.17321 kronor per U.S. dollar for the Swedish krona on November 5, 1951, and of 4.76190 rupees per U.S. dollar for the Ceylon rupee on January 16, 1952. Each of these par values was identical with the corresponding exchange rate in effect since the devaluations of September 1949.

On December 28, 1951, the Fund concurred in a proposal of the Yugoslav Government for a change in the par value of the Yugoslav dinar, effective January 1, 1952. The new rate is 300 dinars per U.S. dollar, and replaces the initial par value of 50 dinars per U.S. dollar. This change not only represented a drastic devaluation but also signified a far-reaching reform of the economic system in Yugoslavia. The economic model which had been adopted earlier in Yugoslavia was characterized by very detailed central planning and by administratively set prices which did not reflect the existing relative scarcities of goods. In its place a new system, which gives enterprises considerable freedom to make independent economic decisions, and which is essentially based on market prices and an economic calculus, was adopted in principle and is being introduced by gradual stages.

Under the old system, the Yugoslav exchange rate had not been one of the determinants in foreign trade transactions. Such transactions were carried out by the state foreign trade monopoly according to a plan and without due regard to the relations between prices in Yugoslavia and abroad. Under the new system, it is intended that the exchange rate shall represent a link between domestic and foreign prices. The devaluation was a first step in this direction, inasmuch as it put the exchange rate in line with the intended level at which prices were to be unified and stabilized. It is intended that in the present transition period a large but gradually decreasing part of foreign trade transactions should continue to pass through the Equalization Fund, in order to ensure the profitability of certain transactions and to avoid unjustifiably high profits in other transactions. Such an arrangement was considered necessary in view of the completely distorted pattern of prices at the time of the devaluation, and because of certain rigidities in the economy which can be only gradually overcome.

"Free" Exchange Rates

Among the countries that either have decided temporarily not to undertake the obligation to maintain their exchange rates within narrow margins of the par values agreed with the Fund, or have never agreed on a par value, *France* and *Italy* have again throughout the period under review kept their official dollar exchange rates stable. In *Greece,* too, there has been no change in the effective official exchange rate. On June 1, 1951, however, the Exchange Certificate System (introduced on October 19, 1947) was abolished by the inclusion in the exchange rate of the effectively stabilized prices of exchange certificates, which had previously been paid in addition to the fixed official exchange rate. The official exchange rate was thus increased from 5,000 drachmas to 15,000 drachmas per U.S. dollar and from 20,000 to 42,000 drachmas per pound sterling.

In *Canada,* whose exchange control system was eliminated on December 14, 1951, the exchange rate has been free to fluctuate since September 1950, although the Foreign Exchange Control Board has intervened in the market from time to time to maintain orderly conditions and to prevent violent fluctuations. The lowest rate for the year (Can$1.0731 = US$1) was recorded after a seasonal decline in mid-June, but thereafter the rate steadily strengthened. It was Can$1.0169 = US$1 at the end of 1951, and by the middle of January 1952, the Canadian dollar touched parity with the U.S. dollar. During most of March and April it remained relatively stable at a premium of about 2 per cent above the U.S. dollar, the rate on April 30 being Can$0.9803 = US$1. The strength of the Canadian dollar is to be attributed principally to a steadily improving trade position and a capital inflow from the United States. While the capital inflow of $563 million in 1951 was little more than half as much as in 1950, it consisted to a greater extent of long-term developmental investment. An abnormally heavy trade deficit in the first eight months of 1951 accounted mainly for a decline of gold and dollar reserves by US$180 million. The development of a trade surplus in the latter part of the year, together with the inflow, led to an increase of reserves of US$217 million in the last four months, and a further increase of US$8 million in the first quarter of 1952.

Since November 1949, when it was decided that the official rate of 6.5 soles per U.S. dollar would no longer govern any transactions, *Peru* has maintained two free exchange markets, one for exchange certificates and the other for drafts and currency. The rates in both markets fluctuate freely. The Central Bank's stabilization policy of maintaining a rate for dollar certificates of 14.95 soles per dollar, which was initiated in October 1950, was suspended in September 1951. Since that time the rate for dollar certificates has ranged between 15.21 and 15.43 soles per dollar. During 1951 the spread between the certificate and free rates did not exceed 1.8 per cent, and since the beginning of 1952 the spread has not exceeded 1.6 per cent.

In *Thailand* the free market rate for sterling declined during the year, and the Bank of Thailand's selling rate was adjusted accordingly. The continuous downward movements led importers of sterling area goods to delay payment, which in turn prevented the Bank of Thailand from selling its accumulated sterling. Subsequently the Bank of Thailand reduced its selling rate on February 28, 1952 to 45 baht per pound, an appreciation of 20.3 per cent compared with the rate of 54.11 baht per pound at the end of April 1951, and commercial rates were similarly adjusted. The free market dollar rates fluctuated more irregularly, but in general they also fell during the year under review. The rate of 19.84 baht per dollar recorded at the end of April 1952 represented an appreciation of 5.8 per cent compared with the rate of 21 baht at the end of April 1951.

The exchange rate structure of *Uruguay* remained basically unchanged during the year under review. There was some shifting of commodities from one rate to another, but as these shifts were of minor quantitative importance, they had little effect on the coverage of the different rates. The free rate which applies only to private invisibles fluctuated fairly widely.

Other Exchange Policy Developments

In several other member countries there were, during the year, events worthy of record which are relevant to exchange rate policy but have not affected par values.

In *Austria* the system of "retention quotas" under which exporters had been allowed to retain a percentage of their export proceeds, varying for different export commodity groups, was abolished as from January 1, 1952. Since that date exporters have had to deliver their total export proceeds to the National Bank. The Austrian National Bank has assured the export industries that they will receive preferential treatment in the allocation of foreign exchange for imports of raw materials, semi-finished products, and machinery.

In *Bolivia* the monetary authorities have, since December 1951, permitted the Banco Minero to sell exchange to importers at a new rate of Bs 190 per U.S. dollar.

The basic rate structure of *Chile,* which was established by the reforms of 1950, was maintained in the 1952 exchange budget. On the payments side there has been an attempt to limit the use of preferential rates, so that a larger proportion of total payments is to be effected at the free market banking rate. Two new minor effective rates for agricultural exports have resulted from the mixing of existing rates. The degree of *de facto* depreciation implied in these changes will depend on the actual level of the free market banking rate during the year and on the volume of transactions actually permitted in the free market. The banking rate tended to depreciate during the first months of 1952, mainly as a result of export difficulties. At the same time, the exchange authorities were taking steps which may result in a substantial revision of the exchange budget.

Recent experience indicates that progress in the direction of simplifying the Chilean exchange system is dependent on some success in dealing with the problem of internal economic stabilization. The authorities had hoped that the measures taken at the end of 1950 with respect to the free market would pave the way toward a unitary system with a more realistic parity. Internal inflationary forces have, however, prevented the realization of these hopes.

The major efforts of the authorities in *Colombia* have been directed at the consolidation of the exchange reform of March 20, 1951. Considerable progress has been made toward the unification of the exchange rate structure and the relaxation of restrictions, which were the basic purposes of the reform. On September 14, 1951, the exchange tax, which had applied to certain nontrade payments of nonresidents, was abolished. With a view to redeeming the pledge to unify the buying rates for coffee export exchange and for all other exchange proceeds, the Colombian authorities began in October 1951 to narrow the spread between these rates, which at that time were 2.0875 pesos and 2.50 pesos, respectively, per U.S. dollar, and after consultation with the Fund it was decided gradually to depreciate the coffee rate. Effective October 29, 1951, it was depreciated from 2.0875 pesos to 2.17 pesos per U.S. dollar; on the fifteenth of every month thereafter it was to be further depreciated in progressive steps of 0.00825 pesos per U.S. dollar until the two buying rates were completely unified. As of the end of the period covered by this Report, the coffee rate was 2.2195 pesos per U.S. dollar which represents a cumulative depreciation of about 6 per cent from the 2.0875 peso rate that had applied until October 29, 1951.

After the establishment of the new exchange system in April 1950, the exchange position of *Costa Rica* began to improve, and by the end of 1951 it showed a surplus. An effective credit policy was pursued, and the coffee market position was also favorable. After the arrears on external commercial obligations had been completely paid off, and the Government's banking debt had also been completely liquidated by use of the proceeds of the exchange surcharges on imports, the exchange surcharges which had been previously imposed were removed in two stages, and the exchange system was thereby considerably simplified. Two exchange markets were maintained, however. The official market supplies exchange for a list of "essential commodities," covering approximately 54 per cent of all imports. The remaining imports are paid for with exchange purchased in the free market. These changes, which were approved by the Fund as a temporary measure, became effective at the end of September 1951. The Central Bank also adopted a policy for the stabilization of the free market rate at ₡7.50 per U.S. dollar. As a result of an inflow of dollars, this rate fell, however, to ₡7.00 per U.S. dollar at the end of December 1951. The Costa Rican exchange system therefore at the end of the fiscal year provided for a single buying rate of ₡5.60 per U.S. dollar for all export proceeds and two selling rates, the official rate of ₡5.67 per U.S. dollar and a free rate of ₡7.00 per U.S. dollar.

In *Denmark* the tax of 20 per cent on sales of foreign exchange for travel purposes, which had been accepted by the Fund as a temporary measure, and which was to have lapsed in March 1952, was repealed in October 1951.

In *Egypt* the scope for transactions in "export pounds," which had widened in 1951 when the exchange rate for these pounds declined by about 12 per cent, was considerably reduced during the first four months of 1952. Special Egyptian transferable accounts had been created late in 1949 after the United Kingdom had decided to limit the use of transferable sterling account facilities to direct current transactions, except where specific authority was given to use them otherwise. Import licenses were issued for a specified list of commodities from hard currency countries, which were paid for in "Egyptian export pounds" to the credit of the recipient. These funds could then be used to pay for certain specified Egyptian exports to any soft currency country except those which have payments agreements with Egypt. They could also be transferred to the "export accounts" of other countries, or used for payments to residents in Egypt.

In *Finland* sales of foreign exchange for most travel purposes were subjected to a stamp duty of 30 per cent, effective June 11, 1951. The law which introduced this tax, however, expired on December 31, 1951, and was not renewed.

In *Iran* the rate of Rls 48.75 per U.S. dollar, which had been established in November 1950 for nonessential imports and for all exports, was lowered on June 25, 1951 to Rls 47 per U.S. dollar and at the same time the rate of Rls 40 per U.S. dollar for essential imports was raised to Rls 41.50 per U.S. dollar, the official rate of Rls 32.25 per U.S. dollar remaining unchanged. Certain imports were also transferred from the essential to the nonessential category.

In December 1951, the Foreign Exchange Commission was authorized to take all the steps necessary to ensure a balance between Iran's foreign exchange receipts and expenditures. Except for 36 essential items for which the Bank Melli Iran might grant foreign exchange without the Commission's license, all foreign exchange requirements were to be subject to individual licensing by the Commission, and foreign exchange for imports of any kind was to be furnished only to holders of exchange certificates purchasable from exporters at prices freely determined in the market. Subsequently two types of certificates were issued, one for essential imports and exports with an established market and the other for nonessential imports and marginal exports. The price of exchange certificates tended to rise until toward the end of April it reached a figure which made an effective exchange rate of Rls 83.50 per U.S. dollar. In order to prevent a further rise the Bank Melli Iran announced on May 5 that it had been authorized to buy and sell dollar certificates at the rate of Rls 42.50 per dollar for exports with established markets and esential imports. This meant an effective buying rate of Rls 74.50 and an effective selling rate of Rls 75.

In the *Netherlands* the scope of the "export bonus dollar" system, whereby 10 per cent of all dollar proceeds from exports to the United States and Canada are made freely available to exporters, was extended on February 11, 1952 to include exports to all countries with which the Netherlands has not concluded a monetary agreement and to American government institutions or international organizations, if payment is made in U.S. or Canadian dollars.

In the *United Kingdom* the London Foreign Exchange Market, which had been closed since 1939, was reopened from December 17, 1951. The changes effected were technical and did not affect the fundamental exchange control regulations or the system of export control and import licensing. The Bank of England, which had formerly quoted close official spot and forward rates for most of the important international currencies, ceased to quote forward rates entirely and widened its spot quotations to approximately $\frac{3}{4}$ per cent either side of the official Fund parities. The Authorized Banks were permitted to deal freely between themselves and their customers for authorized spot transactions at or between the widened Bank of England rates, resorting to the Bank only at the extreme quotations, and were permitted to transact authorized forward business at rates determined by demand and supply. These changes were made at the same time that the remaining exchange restrictions in Canada were removed, and it was therefore decided to permit arbitrage in U.S. and Canadian dollars. No other triangular arbitrage is permitted; operations abroad in other currencies are limited to the covering of excess purchases or sales of currency against sterling in the appropriate market. The banks were granted a measure of freedom in the matter of carrying "open" positions and holding spot exchange against forward commitments, but both facilities are strictly limited to amounts agreed with the Bank of England.

There have also been some significant developments in exchange policy in several countries that are not members of the Fund. The Economic Plan for 1952 announced for *Argentina* on February 18, 1952, designed primarily to combat inflation, included provisions for more flexible exchange rates in order to favor, on the one hand, foreign purchasers of Argentine goods, and, on the other hand, the importation of agricultural machinery. Where the current exchange rates therefore impaired the flow of exports, the rate might be modified within the framework of the present exchange rate structure. Special rates might also be allowed for imports of agricultural machinery, implements, and spare parts. On February 20 a new mixed rate of about 10 pesos per U.S. dollar (60 per cent at 7.5 pesos and 40 per cent at the free market rate of about 14 pesos per dollar) was accordingly established for cheese, butter, and casein exports. This rate may be extended to other products. At various times during the year, export items have been shifted from one exchange rate to another. On February 28, for example, the preferential rate of 7.5 pesos per U.S. dollar, instead of the basic rate of 5 pesos, was applied to certain beef products.

In *Indonesia* the exchange certificate system which had been introduced on March 3, 1950 was abolished on February 4, 1952, when a new official rate of 11.40 rupiah replaced a former nominal rate of 3.80 rupiah per U.S. dollar. Under the old system, there had been three effective rates, viz., an exporters' rate of 7.56 rupiah and importers' rates of 11.43 rupiah and 19.05 rupiah. With the establishment of a new official rate, exchange certificates were abolished for nondollar trade and dollar certificates introduced for dollar trade. "Inducement certificates" were no longer granted without charge to exporters of certain products. They continued to be required for importers of certain luxury and semiluxury goods and were sold by authorized banks at a fixed price.

The new official exchange rate applies to exports to and essential imports from nondollar countries, except that, for luxury and semiluxury goods from all sources, importers have to pay the official rate plus the "inducement certificate" rate, which is 70 per cent of the official rate, or 8.00 rupiah. The effective rate, therefore, for these imports is 19.43 rupiah. For dollar transactions, there are three effective rates. For dollar exports and incidental expenses, the rate is the official rate plus the price of a dollar certificate, which is issued for 70 per cent of the dollar export proceeds. Dollar certificates can be bought and sold at a price that is expected to equal the premium on the U.S. dollar in the open market (1.50 rupiah per U.S. dollar in February 1952). Essential imports from the United States, Canada, and Japan and incidental expenses are paid for at the official rate plus the market price for dollar certificates. Importers of such essential dollar goods must be in possession of dollar certificates for the full value of their imports. For luxury and semiluxury goods from the dollar area, there is an additional charge on account of the "inducement certificate" required for such imports. The effective rate for luxury imports from the dollar area is therefore 20.93 rupiah.

When US$2.80 per pound was adopted as the official exchange rate in *Israel* in September 1949, the free market rate showed a discount of around 25 to 30 per cent. This discount subsequently increased considerably, with some fairly wide fluctuations, and on February 13, 1952, when the free rate had fallen to about $0.50 per pound, the Government of Israel announced new exchange rates of $2.80, $1.40, and $1.00 for the Israeli pound. Exports and imports were classified in three groups to each of which one of the rates applies. The $2.80 rate was retained for foreign proceeds originating from certain government loans, grants, and similar sources and for proceeds from diamond exports; this rate was also retained for payments for highly essential imports, such as bread, flour, and sugar. The rate of $1.40 is applicable to exchange receipts from contributions by institutions, incoming remittances, appeals, currency transfers for approved investments, and from exports of fruits, mainly citrus. Payments for certain essential imports, such as meat, tea, and coffee, are effected at this rate. The $1 rate is applicable to foreign currency received from certain grants, loans, gifts, most investments, and all exports to which the other rates are not applicable, and to out-payments for purposes other than those to which the other two rates are applicable.

On January 28, 1952 *Rumania* appreciated her currency and introduced a monetary reform similar to the Soviet reform of December 1947 and the Polish reform of October 1950. The leu was defined in terms of gold and the ruble, instead of in terms of gold and the U.S. dollar, and the exchange rate set at 2.80 lei to the ruble. The cross rate is therefore 11.2 lei to the U.S. dollar, compared with the previous rate of 150 lei. The exchange rate in Rumania has, however, no relevance for foreign trade transactions. A new leu was put into circulation, the cash holdings of private individuals and firms being exchanged at the rate of 100 to 1 for the first 1,000 lei, of 200 to 1 for the next 1,000 lei, of 300 to 1 for the third 1,000, and of 400 to 1 for all sums exceeding 3,000 lei. Private bank deposits were exchanged at rates about twice as favorable as those applied to cash. Both wages and prices were reduced at the ratio of 1 new leu for 20 old lei. In addition, prices of many consumers' goods were reduced by a further 5 to 20 per cent.

In *Western Germany* a system of "import rights" was introduced on April 1, 1952. These rights are granted to exporters for 40 per cent of their earnings from exports paid for in freely disposable U.S. dollars or free Swiss francs. They are transferable, but must be used for imports from dollar countries of a specified list of goods within three months from the date of payment for the exports in respect of which the claims have been issued. Ten per cent of the import rights may be transferred to the foreign exchange working funds of the original producer, who has been entitled since June 1951 to preferential importation of raw materials needed for the production of export goods.

Membership, Organization, and Administration

Membership and Organization

SWEDEN became a member of the Fund on August 31, 1951, with a quota of $100 million, and Burma on January 3, 1952, with a quota of $15 million. The number of members was thus increased to 51.

By resolution of the Board of Governors, adopted on April 21, 1952, in a vote without meeting, a change in the quota of Honduras from $0.5 million to $2.5 million was approved. This change was accepted by Honduras on April 29, 1952.

With this change and the admission of Sweden and Burma, the aggregate of quotas was increased to $8,153.5 million.

The application of the Hashemite Kingdom of the Jordan for membership, which was made on June 6, 1950, was approved by the Board of Governors in a vote without meeting on April 21, 1952. Jordan has until September 30, 1952 to accept membership.[1]

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

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[1] Applications by Japan and the Federal Republic of Germany for membership were similarly approved by the Board of Governors on May 28, 1952. They have until August 15, 1952 to accept membership.

The Executive Directors of the Fund and their voting power as of April 30, 1952, are shown in Appendix VII. Changes in membership of the Executive Board during the year are shown in Appendix VIII.

Mr. Ivar Rooth assumed his duties as Managing Director and Chairman of the Executive Board on August 3, 1951. The Deputy Managing Director, Mr. A. N. Overby, resigned on January 24, 1952, when he was appointed Assistant Secretary of the U.S. Treasury.

Relations with Members

In addition to the formal consultations referred to in previous chapters, the Fund has maintained active and close relations with its members in the general field of technical assistance. This has involved work of three kinds: missions and technical visits, training programs, and publications and information.

Representatives of the staff visited 37 member countries during the past year for informal discussions or on technical assignments. These meetings are valuable in enabling the Fund to gain a closer understanding of a member's situation and so to make its services and assistance available where they will be most helpful. In exchanging views with officials and in sharing information and experience of techniques, the members of the staff have received full and friendly cooperation. Such visits, renewed from time to time and complemented by visits of members' officials to the Fund, make it possible to develop more effective relations between the Fund and its members, and are of service to all members in helping the Fund to take a comprehensive view of international needs as a whole.

Close working relations have been maintained with other international agencies concerned with technical assistance, both directly and through the UN Technical Assistance Board. Although the Fund is not a member of this Board, it has participated actively in its meetings, has contributed nonconfidential technical information on exchange matters, and has shared in the general interchange of information on missions and technical visits under the technical assistance programs of the various international agencies involved.

In summary, over the course of the twelve months covered by this Report, 36 members of the staff have been engaged at various times on missions and technical assignments. In the latter category, the subjects in relation to which the Fund's technicians have furnished assistance include the drafting of new banking legislation, advising on an import certificate system, reviewing policies and practices bearing on exchange rates and exchange controls, and advising on the reorganization of the banking structure and fiscal system as related to exchange policy. In addition, the Fund has continued to lend its services in establishing machinery for the collection and interpretation of balance of payments and other statistical data. In some cases members of the staff have been lent to member governments and to other international organizations for extended periods of time to assist on specific projects.

Training Programs

The Fund's two training programs are now in their second year. One course emphasizes the preparation, analysis, and presentation of balance of payments data. The other, of a more general character, deals broadly with international economics and the policies, purposes, and operations of the Fund. These programs include lectures and field work in cooperation with the International Bank and the United Nations as well as with U.S. Governmental agencies and central and commercial banking institutions. To date 41 trainees, from 30 member countries, have participated. All have returned, or are expected to return, to the service of their countries. Especially for countries whose economic development is not yet very far advanced, these programs, the details of which are under continuous review, offer useful opportunities for the training of technicians and as, in the course of time, more trainees gain a firsthand knowledge of the Fund, should also contribute to the development of more effective working relations between the Fund and its members.

Information

In addition to the Sixth Annual Report of the Executive Directors, the Fund has issued during the year under review Volume III of its *Balance of Payments Yearbook,* and Volume II, Nos. 1 and 2, of *Staff Papers.* The circulation has expanded of the two monthly publications, *International Financial Statistics* and *Direction of International Trade* (the latter prepared jointly with the International Bank for Reconstruction and Development and printed and distributed by the United Nations), and of the weekly *International Financial News Survey.*

Relations with Other International Organizations

The special relationship between the Fund and the International Bank for Reconstruction and Development affords opportunities for collaboration that continue to be of advantage to both institutions. The Fund has also a close relationship with the Contracting Parties to the General Agreement on Tariffs and Trade (GATT). The nature of the consultations under the GATT has been described in the Fund's Third Annual Report on Exchange Restrictions.

The common interests that the Fund has with the Organization for European Economic Cooperation and the European Payments Union have made it desirable to cultivate closer contacts with these organizations. These relationships are being developed.

In accordance with its policy of active cooperation with other international organizations, the Fund has sought opportunities during the past year to extend its participation in their work. It has prepared a number of studies for the regional economic commissions of the United Nations and for the Economic and Social Council. Staff members have assisted at regional seminars and training centers organized by the United Nations, the Food and Agriculture Organization, and the International Bank. There has been consultation at Fund headquarters with an expert working group of the United Nations, and it has become an increasingly common practice for the Resident Technical Assistance Representatives being sent out by the Technical Assistance Board to confer with the Fund staff.

In the normal course of business, Fund representatives have attended 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 Food and Agriculture Organization, the World Health Organization, the International Labor Organization, and the Annual General Meeting of the Bank for International Settlements. Inter-agency coordination has been the subject of meetings of the Administrative Committee on Coordination in which the Fund regularly participates.

Privileges for Fund Communications

In Appendix XI of the Annual Report for 1950 there was set forth an interpretation by the Executive Directors, in accordance with Article XVIII of the Articles of Agreement, with respect to the treatment to be accorded by members under Article IX, Section 7, to the official communications of the

Fund. The interpretation was submitted to the United States Federal Communications Commission in a proceeding instituted by the Fund and the International Bank for Reconstruction and Development against certain cable companies in the United States for the purpose of securing the same treatment in respect of rates for official communications as is accorded to member governments. On November 14, 1951, the Hearing Examiner of the Federal Communications Commission issued an Initial Decision which in effect recognized the obligation of the cable companies to accord the same rates to the official communications of the Bank and the Fund as are charged to other member governments of the Bank and the Fund. Final decision is still pending because exceptions have been filed by the parties.

Administration

At the end of the fiscal year, the total number of staff was 451, including nationals of 35 countries. Of this number, 15 held temporary appointments, 10 were on leave without pay, 16 were on military leave, and 1 was on loan. During the year, 71 appointments were made of nationals of 20 countries, the net decrease in staff for the year being 5. The Executive Board has approved the suggestion of the Managing Director to study the division of the Latin American, Middle Eastern, and Far Eastern Department into separate departments as soon as is practicable, and in general to study the allocation of geographical regions to the appropriate departments in the Fund, with a view to ensuring that each would be responsible for a manageable geographical area.

An administrative budget for the period May 1, 1952 to April 30, 1953, as approved by the Executive Directors, is presented in Appendix IX, to which there is attached a tabulation setting forth a comparison with the budget and actual expenditures for the fiscal year 1952. A comparative statement of the Fund's income is presented in Appendix IX.

The Executive Board requested the Governments of Cuba, France, and Pakistan to nominate members of the Audit Committee. The following nominations were made and confirmed: Mr. Manuel de J. Fernandez Cepero, Certified Public Accountant, Professor of Accountancy at Havana University, and Auditor of the Banco Nacional de Cuba; Mr. Gilles de Wailly, Inspecteur des Finances, France; and Mr. Syed-Uz-Zaman, Chartered Accountant and Member of the Income Tax Tribunal, Pakistan. The report of the Committee is submitted separately. The Auditors' Certificate, together with the audited balance sheet as of April 30, 1952, the audited statement of income and expenditure, with supporting schedules, and audited financial statements of the Fund's Retirement Fund are presented in Appendix X. A comment has been prepared by the Executive Directors for the purpose of assisting comparison between the balance sheet presented by the Audit Committee this year with balance sheets prepared by earlier Audit Committees; this comment appears in Appendix XI.

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APPENDICES

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Appendix I

DECISION ON USE OF THE FUND'S RESOURCES AND REPURCHASES

1. The Managing Director has made the following statement which should be the framework for his discussions with members on use of the Fund's resources:

"The present proposals are designed to provide a practical basis for use of the Fund's resources in accordance with the purposes of the Fund. When the proposals are agreed they will, of course, have to be carried into effect through actual cases. Decisions will have to be made in accordance with the particular circumstances, and in this manner a body of practical criteria will gradually be built up. However, even at the outset I think it must be clear that access to the Fund should not be denied because a member is in difficulty. On the contrary, the task of the Fund is to help members that need temporary help, and requests should be expected from members that are in trouble in greater or lesser degree. The Fund's attitude toward the position of each member should turn on whether the problem to be met is of a temporary nature and whether the policies the member will pursue will be adequate to overcome the problem within such a period. The policies, above all, should determine the Fund's attitude.

"In addition, the Fund should pay attention to a member's general credit-worthiness, particularly its record with the Fund. In this respect, the member's record of prudence in drawing, its willingness to offer voluntary repayment when its situation permitted, and its promptness in fulfilling the obligation to transmit monetary reserves data and in discharging repurchase obligations would be important. I would expect that in the years to come, with extended activities of the Fund, we shall be able more and more to rely on the Fund's own experience, thus providing a further and most useful link between Fund drawings and repurchases.

"After a period of relative inactivity of the Fund, it would be too much to expect that we should be able to solve with one stroke the entire problem of access to the Fund's resources so that each member would always know how any request would be received by the Fund. We shall have to feel our way. Sometimes a member may want to submit to the Fund a specific request for drawings, with adequate information as to the particular situation which prompts the request. At other times discussions between the member and the Fund may cover its general position, not with a view to any immediate drawing, but in order to ensure that it would be able to draw if, within a period of say 6 or 12 months, the need presented itself. The Fund itself might take the initiative in discussing with one or more members transactions which it believes suitable for the Fund and helpful to the members concerned. In cases where it would appear appropriate and useful, the Fund might arrange drawings to deal with special short-run situations accompanied by arrangements for repurchase in a period not exceeding 18 months."

2.a. In view of the Executive Board's interpretation of September 26, 1946, concerning the use of the Fund's resources, and considering especially the necessity for ensuring the revolving character of the Fund's resources, exchange purchased from the Fund should not remain outstanding beyond the period reasonably related to the payments problem for which it was purchased from the Fund. The period should fall within an outside range of three to five years. Members will be expected not to request the purchase of exchange from the Fund in circumstances where the reduction of the Fund's holdings of their currencies by an equivalent amount within that time cannot reasonably be envisaged.

b. The Fund has recently determined that when the charges on the Fund's holdings of a member's currency in any bracket have reached a rate of 3½ per cent per annum, the Fund and the member, in accordance with Article V, Section 8 (d) "shall consider means by which the Fund's holdings of the currency can be reduced" (EB Meeting 717, 11/19/51). In the course of consultations arising from purchases of exchange taking place after December 1, 1951, the Fund and the member will agree upon appropriate arrangements to ensure the reduction of the

Fund's holdings of the member's currency as soon as possible, with the maximum period to be permitted in any such agreed arrangement requiring that within five years of each purchase made by the member there will be an equivalent repurchase of the Fund's holdings unless they have otherwise been reduced.

c. With respect to each future purchase which raises the Fund's holdings of the member's currency from not less than 75 per cent to not more than 100 per cent of its quota, a member whose currency held by the Fund has not been otherwise reduced within three years will be requested by the Fund to agree upon an arrangement providing that within five years of each purchase made by the member there will be an equivalent repurchase of the Fund's holdings unless they have otherwise been reduced.

d. When unforeseen circumstances beyond the member's control would make unreasonable the application of the principles set forth in paragraph 2 above, the Fund will consider extensions of time.

e. When requesting use of the resources of the Fund in accordance with the arrangements described above, a member will be expected to include in its authenticated request a statement that it will comply with the above principles.

f. These principles will be an essential element in any determination by the Fund as to whether a member is using the resources of the Fund in accordance with the purposes of the Fund.

3. Each member can count on receiving the overwhelming benefit of any doubt respecting drawings which would raise the Fund's holdings of its currency to not more than its quota.

4. The Managing Director should communicate with members concerning means to speed the collection and reporting of monetary reserves data and means to reduce the delays in reaching agreement under Rule I-6 in cases where a repurchase obligation

has been computed. The Fund should also make it clear that an important element in its judgment respecting the use of its resources will be the co-operation of the member in helping to make Article V, Section 7 effective, including the timely provision of information and the facilitating of settlement.

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

February 13, 1952

Appendix II

CHARGES ON USE OF FUND RESOURCES

(Per cent per annum)

	Charges for Each Period of Continuous Use on Fund's Holdings of a Member's Currency That Exceed Its Quota by:			
	0/25 per cent	25/50 per cent	50/75 per cent	75/100 per cent
On balances in excess of quota resulting from transactions effected after November 30, 1951				
First 3 months	0.0	1.0	1.5	2.0
3 months to 6 months	0.0	1.0	1.5	2.0
6 months to 1 year	1.0	1.5	2.0	2.5
1 year to 18 months	1.5	2.0	2.5	3.0
18 months to 2 years	2.0	2.5	3.0	3.5*
2 years to 30 months	2.5	3.0	3.5*	4.0
30 months to 3 years	3.0	3.5*	4.0	4.5†
3 years to 42 months	3.5*	4.0	4.5†	5.0†
42 months to 4 years	4.0	4.5†	5.0†	
4 years to 54 months	4.5†	5.0†		
54 months to 5 years	5.0†			
Service charge: one-half of one per cent				
On balances in excess of quota resulting from transactions effected prior to December 1, 1951				
First 3 months	0.0	1.0	1.5	2.0
3 months to 6 months	0.5	1.0	1.5	2.0
6 months to 1 year	0.5	1.0	1.5	2.0
1 year to 18 months	1.0	1.5	2.0	2.5
18 months to 2 years	1.0	1.5	2.0	2.5
2 years to 30 months	1.5	2.0	2.5	3.0
30 months to 3 years	1.5	2.0	2.5	3.0
3 years to 42 months	2.0	2.5	3.0	3.5
42 months to 4 years	2.0	2.5	3.0	3.5
4 years to 54 months	2.5	3.0	3.5	4.0
54 months to 5 years	2.5	3.0	3.5	4.0*
5 to 6 years	3.0	3.5	4.0*	4.5
6 to 7 years	3.5	4.0*	4.5	5.0
7 to 8 years	4.0*	4.5	5.0	
8 to 9 years	4.5	5.0		
9 to 10 years	5.0			
Service charge: three-fourths of one per cent				

*At this point the Fund and the member are obligated to consult on means to reduce the Fund's holdings of the member's currency.

† Maximum charge for this period. Fund has discretion to make lower charges.

Appendix III
SUMMARY OF FUND TRANSACTIONS
from the beginning of operations
to April 30, 1952
(In millions of U. S. dollars)

Country (1)	Currency Purchased by Member against Own Currency (2)	Member's Currency Sold by Fund to Other Members for Their Currency or Gold (3)	Member's Currency Repurchased by Member with Convertible Currency or Gold (4)	Member's Currency Used for Repurchases by Other Members (5)	Effect of Operations on Fund's Currency Holdings (columns 2 & 5 minus 3 & 4) (6)	Fund's Holdings of Members' Currencies on April 30, 1952, Expressed as Percentage of Quota (7)
Australia	20.0				20.0	106
Austria						—
Belgium	33.0	11.4	21.6		0.0	75
Bolivia						—
Brazil	103.0				103.0	144
Burma						—
Canada						75
Ceylon						95
Chile	8.8		3.4		5.4	93
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						98
France	125.0				125.0	103
Greece						—
Guatemala						75
Honduras						75
Iceland						75
India	100.0				100.0	118
Iran	8.8				8.8	100
Iraq						100
Italy						—
Lebanon			0.9		—0.9	75
Luxembourg						95
Mexico	22.5		22.5		0.0	75
Netherlands	75.4		0.2		75.2	102
Nicaragua	0.5		0.5		0.0	75
Norway	9.5		9.5		0.0	75
Pakistan						96
Panama						75
Paraguay						75
Peru						87
Philippine Republic						75
Sweden						83
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		812.3		53.6	—758.7	47
Uruguay						—
Venezuela						75
Yugoslavia	9.0				9.0	102
	851.5	857.7[1]	79.8[2]	53.6	—32.4	

[1] $851.5 million sold for currency and $6.2 million for gold.

[2] $53.6 million repurchased with convertible currency and $26.2 million with gold.

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Appendix IV

STATEMENT ON PREMIUM GOLD TRANSACTIONS

In June 1947, the Fund issued a statement recommending to its members that they take effective action to prevent external transactions in gold at premium prices, because such transactions tend to undermine exchange stability and to impair monetary reserves. From time to time the Fund has reviewed its recommendations and the effectiveness of the action taken by its members.

Despite the improvement in the payments position of many members, sound gold and exchange policy of members continues to require that to the maximum extent practicable, gold should be held in official reserves rather than go into private hoards. It is only as gold is held in official reserves that it can be used by the monetary authorities to maintain exchange rates and meet balance of payments needs.

However, the Fund's continuous study of the situation in gold-producing and -consuming countries shows that their positions vary so widely as to make it impracticable to expect all members to take uniform measures in order to achieve the objectives of the premium gold statement. Accordingly, while the Fund reaffirms its belief in the economic principles involved and urges the members to support them, the Fund leaves to its members the practical operating decisions involved in their implementation, subject to the provisions of Article IV, Section 2 and other relevant articles of the Articles of Agreement of the International Monetary Fund.

The Fund will continue to collect full information about gold transactions, will watch carefully developments in this field and will be prepared in consultation with members to consider problems relating to exchange stability and any other problems which may arise.

September 28, 1951

Appendix V

MEMBERSHIP, QUOTAS, GOVERNORS, AND VOTING POWER
as of April 30, 1952

	QUOTA		VOTES		
Member	Amount (000,000's)	Per Cent of Total	Governor *Alternate*	Number [1]	Per Cent of Total
Australia	$200.0	2.45	Sir Arthur Fadden *P. C. Spender*	2,250	2.39
Austria	50.0	0.61	Eugen Margaretha *Franz Stoeger-Marenpach*	750	0.80
Belgium	225.0	2.76	Maurice Frere *Hubert Ansiaux*	2,500	2.65
Bolivia	10.0	0.12	Hector Ormachea Zalles *Jaime Gutierrez Guerra*	350	0.37
Brazil	150.0	1.84	Eugenio Gudin *Octavio Paranagua*	1,750	1.86
Burma	15.0	0.18	Not named as yet *Not named as yet*	400	0.42
Canada	300.0	3.68	Douglas Charles Abbott *Graham F. Towers*	3,250	3.45
Ceylon	15.0	0.18	J. R. Jayawardene *John Exter*	400	0.42
Chile	50.0	0.61	Arturo Maschke *Fernando Illanes*	750	0.80
China	550.0	6.75	Chia Kan Yen *Pao-hsu Ho*	5,750	6.10
Colombia	50.0	0.61	Emilio Toro *Ignacio Copete-Lizarralde*	750	0.80
Costa Rica	5.0	0.06	Angel Coronas *Mario Fernandez*	300	0.32

Cuba	50.0	0.61	Joaquin Martinez Saenz *Bernardo Figuerdo Antunez*	750	0.80
Czechoslovakia	125.0	1.53	Jaroslav Docekal *Antonin Bezkocka*	1,500	1.59
Denmark	68.0	0.83	Svend Nielsen *Einar Dige*	930	0.99
Dominican Republic	5.0	0.06	Wenceslao Troncoso *Milton Messina*	300	0.32
Ecuador	5.0	0.06	Guillermo Perez-Chiriboga *Hernan Escudero-Moscoso*	300	0.32
Egypt	60.0	0.74	Ahmed Zaki Saad Pasha *Mahmoud Saleh El Falaki Bey*	850	0.90
El Salvador	2.5	0.03	Catalino Herrera *Manuel Melendez-Valle*	275	0.29
Ethiopia	6.0	0.07	Jack Bennett *Ato Menassie Lemma*	310	0.33
Finland	38.0	0.47	Sakari Tuomioja *Klaus Waris*	630	0.67
France	525.0	6.44	Pierre Mendes-France *Wilfrid Baumgartner*	5,500	5.83
Greece	40.0	0.49	Xenophon Zolotas *Charalambos Theodoropoulos*	650	0.69
Guatemala	5.0	0.06	Manuel Noriega Morales *Carlos Leonidas Acevedo*	300	0.32
Honduras	2.5	0.03	Marco Antonio Batres *Roberto Ramirez*	275	0.29
Iceland	1.0	0.01	Asgeir Asgeirsson *Thor Thors*	260	0.28
India	400.0	4.91	Sir Chintaman D. Deshmukh *Sir B. Rama Rau*	4,250	4.51

Appendix V *(continued)*

MEMBERSHIP, QUOTAS, GOVERNORS, AND VOTING POWER
as of April 30, 1952

	QUOTA		VOTES		
Member	**Amount (000,000's)**	**Per Cent of Total**	**Governor** ***Alternate***	**Number**[1]	**Per Cent of Total**
Iran	$ 35.0	0.43	Ali Asghar Nasser *Abbas Gholi Neysari*	600	0.64
Iraq	8.0	0.10	Abdul Wahab Mirjan *Salih Haider*	330	0.35
Italy	180.0	2.21	Giuseppe Pella *Ugo La Malfa*	2,050	2.17
Lebanon	4.5	0.06	Andre Tueni *Farid Solh*	295	0.31
Luxembourg	10.0	0.12	Pierre Dupong *Hugues Le Gallais*	350	0.37
Mexico	90.0	1.10	Carlos Novoa *Raul Martinez-Ostos*	1,150	1.22
Netherlands	275.0	3.37	M. W. Holtrop *E. van Lennep*	3,000	3.18
Nicaragua	2.0	0.02	Guillermo Sevilla Sacasa *Leon DeBayle*	270	0.29
Norway	50.0	0.61	Gunnar Jahn *Christian Brinch*	750	0.80
Pakistan	100.0	1.23	Mohammad Ali *Yaqub Shah*	1,250	1.33
Panama	0.5	0.01	Roberto Heurtematte *Guillermo Endara*	255	0.27

Paraguay	3.5	0.04	Juan R. Chaves *Victor A. Pane*	285	0.30
Peru	25.0	0.31	Clemente de Althaus *Emilio G. Barreto*	500	0.53
Philippine Republic	15.0	0.18	Miguel Cuaderno *Emilio Abello*	400	0.42
Sweden	100.0	1.23	M. H. Lemne *T. L. Hammarskiold*	1,250	1.33
Syria	6.5	0.08	Izzat Trabulsi *Awad Barakat*	315	0.33
Thailand	12.5	0.15	Prince Viwat *Kajit Kasemsri*	375	0.40
Turkey	43.0	0.53	Feridun Ergin *Burhan Ulutan*	680	0.72
Union of South Africa	100.0	1.23	Nicolaas Christiaan Havenga *John Edward Holloway*	1,250	1.33
United Kingdom	1,300.0	15.94	Richard Austen Butler *Sir Ernest Rowe-Dutton*	13,250	14.05
United States	2,750.0	33.73	John W. Snyder *David K. E. Bruce*	27,750	29.43
Uruguay	15.0	0.18	Fermin Silveira Zorzi *Mario La Gamma Acevedo*	400	0.42
Venezuela	15.0	0.18	J. J. Gonzalez Gorrondona *Felix Miralles*	400	0.42
Yugoslavia	60.0	0.74	Marijan Dermastia *Antonije Tasic*	850	0.90
	$8,153.5	100.00[2]		94,285	100.00[2]

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

Appendix VI

CHANGES IN MEMBERSHIP OF THE BOARD OF GOVERNORS

Changes in the membership of the Board of Governors between May 1, 1951 and April 30, 1952 have been as follows:

Wenceslao Troncoso succeeded Jesus Maria Troncoso as Governor for the Dominican Republic, May 8, 1951.

Manuel Noriega Morales was reappointed Governor for Guatemala, May 12, 1951.

Carlos Leonidas Acevedo was reappointed Alternate Governor for Guatemala, May 12, 1951.

Manuel Melendez-Valle was reappointed Alternate Governor for El Salvador, May 31, 1951.

John W. Snyder was reappointed Governor for the United States, June 27, 1951.

Charalambos Theodoropoulos succeeded Alexander Couclelis as Alternate Governor for Greece, June 30, 1951.

Feridun Ergin succeeded Nurullah Esat Sumer as Governor for Turkey, July 16, 1951.

Burhan Ulutan succeeded Nail Gidel as Alternate Governor for Turkey, July 16, 1951.

Arturo Maschke was reappointed Governor for Chile, July 17, 1951.

Ramon Beteta succeeded Carlos Novoa as Governor for Mexico, August 8, 1951.

Carlos Novoa succeeded Raul Martinez-Ostos as Alternate Governor for Mexico, August 8, 1951.

Maurice Frere was reappointed Governor for Belgium, August 9, 1951.

Asgeir Asgeirsson was reappointed Governor for Iceland, August 14, 1951.

Antonije Tasic succeeded Ugo Zunjevic as Alternate Governor for Yugoslavia, August 23, 1951.

Jaroslav Docekal succeeded Bohumil Sucharda as Governor for Czechoslovakia, August 28, 1951.

Antonin Bezkocka succeeded Pavel Eisler as Alternate Governor for Czechoslovakia, August 28, 1951.

K. E. Book was appointed Governor for Sweden, August 31, 1951.

T. L. Hammarskiold was appointed Alternate Governor for Sweden, August 31, 1951.

Hernan Jaramillo-Ocampo succeeded Emilio Toro as Governor for Colombia, September 1, 1951.

Jaime F. Cordoba succeeded Ignacio Copete-Lizarralde as Alternate Governor for Colombia, September 1, 1951.

Leon DeBayle succeeded Rafael Angel Huezo as Alternate Governor for Nicaragua, September 1, 1951.

Roberto Heurtematte succeeded Rodolfo F. Herbruger as Governor for Panama, September 1, 1951.

Guillermo Endara succeeded Julio E. Heurtematte as Alternate Governor for Panama, September 1, 1951.

Miguel Cuaderno was reappointed Governor for the Philippine Republic, September 1, 1951.

Emilio Abello was reappointed Alternate Governor for the Philippine Republic, September 1, 1951.

Carlos Novoa succeeded Ramon Beteta as Governor for Mexico, September 5, 1951.

Raul Martinez-Ostos succeeded Carlos Novoa as Alternate Governor for Mexico, September 5, 1951.

Yaqub Shah succeeded Amjad Ali as Alternate Governor for Pakistan, September 7, 1951.

Jaime Gutierrez Guerra was reappointed Alternate Governor for Bolivia, September 8, 1951.

P. C. Spender succeeded Sir Arthur Fadden as Governor for Australia, September 10, 1951.

L. G. Melville succeeded N. J. O. Makin as Alternate Governor for Australia, September 10, 1951.

Abdullah Bakr was appointed Governor for Iraq, September 10, 1951.

Abdul Wahab Mirjan succeeded Abdullah Bakr as Governor for Iraq, September 15, 1951.

Emilio Toro succeeded Hernan Jaramillo-Ocampo as Governor for Colombia, October 1, 1951.

Ignacio Copete-Lizarralde succeeded Jaime F. Cordoba as Alternate Governor for Colombia, October 1, 1951.

Sir Arthur Fadden succeeded P. C. Spender as Governor for Australia, October 18, 1951.

P. C. Spender succeeded L. G. Melville as Alternate Governor for Australia, October 18, 1951.

Mohammad Ali succeeded Ghulam Mohammad as Governor for Pakistan, November 27, 1951.

Richard Austen Butler succeeded Hugh Gaitskell as Governor for the United Kingdom, December 13, 1951.

Douglas Charles Abbott was reappointed Governor for Canada, January 2, 1952.

Te-Mou Hsi, Alternate Governor for China, died January 24, 1952.

M. W. Holtrop succeeded P. Lieftinck as Governor for the Netherlands, March 1, 1952.

E. van Lennep succeeded M. W. Holtrop as Alternate Governor for the Netherlands, March 1, 1952.

Izzat Trabulsi succeeded Henry Raad as Governor for Syria, March 2, 1952.

Awad Barakat succeeded George J. Tomeh as Alternate Governor for Syria, March 2, 1952.

Eugen Margaretha succeeded Hans Rizzi as Governor for Austria, March 6, 1952.

M. H. Lemne succeeded K. E. Book as Governor for Sweden, March 7, 1952.

David K. E. Bruce succeeded James E. Webb as Alternate Governor for the United States, April 1, 1952.

Pao-hsu Ho succeeded Te-Mou Hsi as Alternate Governor for China, April 4, 1952.

Ali Asghar Nasser succeeded Ibrahim Zend as Governor for Iran, April 6, 1952.

Abbas Gholi Neysari succeeded Mocharraf Naficy as Alternate Governor for Iran, April 6, 1952.

Joaquin Martinez Saenz succeeded Felipe Pazos as Governor for Cuba, April 14, 1952.

Bernardo Figuerdo Antunez succeeded Jose Antonio Guerra as Alternate Governor for Cuba, April 14, 1952.

Catalino Herrera was reappointed Governor for El Salvador, April 18, 1952.

Andre Tueni succeeded Georges Hakim as Governor for Lebanon, April 23, 1952.

Farid Solh succeeded Joseph Oughourlian as Alternate Governor for Lebanon, April 23, 1952.

Appendix VII

EXECUTIVE DIRECTORS AND VOTING POWER
as of April 30, 1952

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	30.45
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 / *Albert Barraud*	France	5,500	5,500	6.04
W. R. Natu / *B. R. Shenoy*	India	4,250	4,250	4.66
ELECTED				
Octavio Paranagua (Brazil)	Bolivia	350		
Charles P. Hargreaves (Brazil)	Brazil	1,750		
	Chile	750		
	Dominican Republic	300		
	Honduras	275		
	Nicaragua	270		
	Paraguay	285		
	Peru	500		
	Uruguay	400	4,880	5.35
Raul Martinez-Ostos (Mexico)	Colombia	750		
Javier Marquez (Mexico)	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)	Belgium	2,500		
Jean C. Godeaux (Belgium)	Denmark	930		
	Finland	630		
	Luxembourg	350	4,410	4.84

Appendix VII (*continued*)

EXECUTIVE DIRECTORS AND VOTING POWER

as of April 30, 1952

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes [1]	Per Cent of Total
Ahmed Zaki Saad Pasha (Egypt) *Albert Mansour 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	4.11
Louis Rasminsky (Canada) *G. Neil Perry (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
			91,135 [2]	100.00

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

[2] This total does not include the votes of Burma, Czechoslovakia, and Sweden since those countries did not participate in the last Regular Election of Executive Directors which was held in September 1950.

Appendix VIII

CHANGES IN MEMBERSHIP OF THE EXECUTIVE BOARD

Changes in the membership of the Executive Board between May 1, 1951 and April 30, 1952 have been as follows:

R. M. Keith served as Temporary Alternate Executive Director to Louis Rasminsky from June 20, 1951 through August 1, 1951.

L. R. W. Soutendijk served as Temporary Alternate Executive Director to J. W. Beyen from June 20, 1951 through June 29, 1951.

J. F. Parkinson resigned as Alternate Executive Director to Louis Rasminsky, August 15, 1952.

Harry L. Wolfson was appointed Alternate Executive Director to Louis Rasminsky, succeeding J. F. Parkinson, effective August 30, 1951.

Egidio Ortona served as Temporary Alternate Executive Director to Guido Carli from October 19, 1951 through November 19, 1951.

D. S. Savkar resigned as Alternate Executive Director to J. V. Joshi, October 31, 1951.

W. R. Natu was appointed Alternate Executive Director to J. V. Joshi, succeeding D. S. Savkar, effective November 1, 1951.

Mahmoud Saleh El Falaki Bey resigned as Alternate Executive Director to Ahmed Zaki Saad Pasha, November 15, 1951.

Herculano Borges da Fonseca resigned as Alternate Executive Director to Octavio Paranagua, November 16, 1951.

Albert Mansour Bey was appointed Alternate Executive Director to Ahmed Zaki Saad Pasha, succeeding Mahmoud Saleh El Falaki Bey, effective November 16, 1951.

Charles P. Hargreaves was appointed Alternate Executive Director to Octavio Paranagua, succeeding Herculano Borges da Fonseca, effective November 20, 1951.

J. V. Joshi resigned as Executive Director for India, November 29, 1951.

W. R. Natu was appointed Executive Director for India, succeeding J. V. Joshi, effective November 30, 1951.

B. R. Shenoy was appointed Alternate Executive Director to W. R. Natu, succeeding W. R. Natu, effective November 30, 1951.

Francois Bizard resigned as Alternate Executive Director to Jean de Largentaye, January 10, 1952.

Albert Barraud was appointed Alternate Executive Director to Jean de Largentaye, succeeding Francois Bizard, effective January 11, 1952.

C. A. Annis served as Temporary Alternate Executive Director to Louis Rasminsky, March 12, 1952.

Harry L. Wolfson resigned as Alternate Executive Director to Louis Rasminsky, March 31, 1952.

G. Neil Perry was appointed Alternate Executive Director to Louis Rasminsky, succeeding Harry L. Wolfson, effective April 1, 1952.

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Appendix IX (i)

ADMINISTRATIVE BUDGET

Letter of Transmittal

June 24, 1952

My dear Mr. Chairman:

The administrative budget of the Fund for the Fiscal Year ending April 30, 1953, 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 1950-51, the budget and actual expenditures for the Fiscal Year 1951-52 as compared with the administrative budget for the Fiscal Year 1952-53.

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

Yours sincerely,

/s/

IVAR ROOTH

Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

Appendix IX (ii)

ADMINISTRATIVE BUDGET FISCAL YEAR ENDING APRIL 30, 1953

As Approved by the Executive Board Compared with the Actual Expenditures of Fiscal Years 1950-51 and 1951-52

Category of Expenditures	Actual Expenditures F.Y. 1950-51	F.Y. 1951-52 Budget	F.Y. 1951-52 Actual Expenditures	Budget F.Y. 1952-53
Personal Services	$2,843,013.26	$3,201,663.00	$3,201,094.86	$3,437,000.00
Contributions to Retirement Plan and Other Benefits	367,246.75	360,100.00	353,176.65	353,500.00
Travel	340,600.01	312,750.00	310,922.06	328,000.00
Communications	105,725.18	112,352.00	97,635.81	110,500.00
Office Occupancy Expense	381,313.47	435,969.00	435,099.04	474,000.00
Books and Printing	133,775.95	145,386.00	135,275.22	133,000.00
Supplies and Equipment	75,030.28	104,725.00	90,056.43	71,500.00
Meetings of the Board of Governors	225,180.82	109,325.00	103,425.75	213,500.00
Miscellaneous	125,370.24	48,180.00	43,656.76	48,300.00
Total Administrative Expenditures	$4,597,255.96	$4,830,450.00	$4,770,342.58	$5,169,300.00[1]

[1] Includes $5,078 for liquidation of prior year commitments.

Appendix IX (iii)

COMPARATIVE STATEMENT OF INCOME

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

INCOME	Year ended Apr. 30 1950	Year ended Apr. 30, 1951	Year ended Apr. 30, 1952
Service Charges			
Received in gold	$ 343,500.00	$ 210,000.00	$ 236,718.75
Received in members' currencies	45,000.00		
Total	$ 388,500.00	$ 210,000.00	$ 236,718.75
Charges on Fund's Holdings of Members' Currencies and Securities in Excess of Quotas			
Received in gold	$1,246,542.25	$1,551,311.89	$2,167,905.40
Received in members' currencies	672,282.82	888,866.14	703,265.96
Outstanding		8,536.19[1]	123,424.63
Total	$1,918,825.07	$2,448,714.22	$2,994,595.99
Sales of Fund's Publications	$ 13,076.67	$ 12,922.28	$ 14,412.05
Other Operational Income			6,250.14
Miscellaneous Income	638.23	235.98	216.20
TOTAL INCOME	$2,321,039.97	$2,671,872.48	$3,252,193.13
TOTAL ADMINISTRATIVE EXPENDITURE	$3,970,828.54	$4,597,255.96	$4,770,342.58

[1] Since paid.

Appendix X (i)

BALANCE SHEET, STATEMENT OF INCOME AND EXPENDITURE AND SUPPORTING SCHEDULES

Letter of Transmittal

July 11, 1952

My dear Mr. Chairman:

In accordance with Section 20 (b) of the By-Laws of the Fund, I have the honor to submit for the consideration of the Board of Governors the audited balance sheet and the audited statement of income and expenditure of the Fund for the year ended April 30, 1952, together with the Auditors' Certificate, as well as audited financial statements of the Staff Retirement Fund.

In conformity with the By-Laws, the external audit of the Fund has been performed by an Audit Committee consisting of auditors nominated by three member countries. At the Fund's request, Cuba, France, and Pakistan nominated auditors to serve on this Committee. They respectively nominated Mr. Manuel de J. Fernandez Cepero, Certified Public Accountant, Professor of Accountancy at Havana University and Auditor of the Banco Nacional de Cuba; Mr. Gilles de Wailly, Inspecteur des Finances; and Mr. Syed-Uz-Zaman, Chartered Accountant and Member of the Income Tax Tribunal. The auditors thus nominated were confirmed by the Executive Directors.

It will be noted that, in the period under review, expenditure exceeded income by $1,518,345.26, and that the total excess of expenditure over income from inception to April 30, 1952 is thus increased to $7,241,237.70.

It will also be noted that the balance sheet prepared this year by the Audit Committee differs in certain respects from the balance sheets prepared by previous Audit Committees. The detailed report of the Audit Committee is being submitted separately to the Board of Governors. The letter transmitting that report will contain comments on the differences in the form of presenting the balance sheet adopted by this year's Audit Committee.

Yours sincerely,

/s/

IVAR ROOTH

Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

AUDITORS' CERTIFICATE

We have made an independent examination of the Balance Sheet of the International Monetary Fund as at April 30, 1952, 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, 1952, 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, 1950 to April 30, 1951.

THE AUDIT COMMITTEE

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

/s/ Gilles de Wailly (France)

/s/ Syed-Uz-Zaman (Pakistan)

BALANCE

as at April 30,

(Values expressed in U.S. dollars

ASSETS

	Fine Ounces		
GOLD			
Held in custody for the Fund with authorized depositories	43,762,317.046		
Less: Held under earmark for members' accounts	1,903.136		
Fund's net ownership—at $35 per ounce of fine gold	43,760,413.910		$1,531,614,486.85
CURRENCY AND SECURITIES WITH DEPOSITORIES			
In No. 1 Accounts		$ 802,747,765.94	
In No. 2 Accounts		664,551.77	
Total currency		$ 803,412,317.71	
Non-negotiable, non-interest-bearing demand obligations payable at face value by members in their currencies		4,939,836,478.03	
Total currency and securities with depositories (Schedule 1)			5,743,248,795.74
FIXED ASSETS (Office furnishings and equipment, automobile equipment, joint library, law library)			
Cost value		$ 541,689.10	
Less: Reserve for depreciation		541,689.10	nil
OTHER ASSETS (Schedule 2)			982,437.47
			$7,275,845,720.06

NOTE TO BALANCE SHEET

The established parities for members' currencies represent par values in relation to the U.S. 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

X (iii)
SHEET
1952
on the basis of established parities)

Exhibit A

LIABILITIES AND NET CAPITAL

LIABILITIES AND DEFERRED CREDITS (Schedule 3)			$ 382,080.48
NET CAPITAL			
Authorized subscriptions of members (Schedule 4)		$8,153,500,000.00	
Less: Unpaid subscriptions, both due and not due (Schedule 4)		870,795,122.72	
Capital paid in		$7,282,704,877.28	
Less: Net excess of expenditure over income			
From inception to April 30, 1951	$5,722,892.44		
For year ended April 30, 1952.... (Exhibit B)	1,518,345.26	7,241,237.70	7,275,463,639.58
			$7,275,845,720.06

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.

Appendix X (iv)

Schedule 1 to Exhibit A

CURRENCIES AND SECURITIES WITH DEPOSITORIES

as at April 30, 1952

Depositories	Currencies	In Members' Currencies				Exchange Rates [a]	Equivalent Values in U. S. Dollars
		Securities	No. 1 Accounts	No. 2 Accounts	Total		
Commonwealth Bank of Australia	Pounds	76,575,000.0.0	17,875,323.17.0	1,104.6.11	94,451,428.3.11	224.000 [2]	211,571,199.16
Banque Nationale de Belgique S.A.	Francs	8,324,889,561.24	112,300,000.00	53,998.16	8,437,243,559.40	50.0000	168,744,871.19
Superintendencia da Moeda e do Credito (Brazil)	Cruzeiros		3,986,679,442.50	10,760.50	3,986,690,203.00	18.5000	215,496,767.73
Bank of Canada	Dollars	243,400,000.00	4,088,200.00	1,458.38	247,489,658.38	1.10000	224,990,598.53
Central Bank of Ceylon	Rupees	67,100,000.00	749,332.90	2,994.60	67,852,327.50	21.0000 [2]	14,248,988.78
Banco Central de Chile	Pesos		1,442,757,568.02	151,908.73	1,442,909,476.75	31.0000	46,545,466.99
Banco de la Republica (Colombia)	Pesos		73,116,541.17	1,284.34	73,117,825.51	1.94998	37,496,705.35
Banco Central de Costa Rica	Colones		21,035,457.46	8,352.23	21,043,809.69	5.61500	3,747,784.45
Banco Nacional de Cuba	Pesos		37,487,613.64	917.55	37,488,531.19	1.00000	37,488,531.19
Czechoslovak State Bank	Korunas	5,552,378,996.00	883,137,205.00	71,787.70	6,435,587,988.70	50.0000	128,711,759.78
Danmarks Nationalbank	Kroner	479,623,010.92	19,782,450.06	3,673.69	499,409,134.67	6.90714	72,303,317.25
Banco Central de la Republica Dominicana	Pesos	3,248,000.00	500,987.33	876.00	3,749,863.33	1.00000	3,749,863.33
Banco Central del Ecuador	Sucres		56,232,752.37	9,576.98	56,242,329.35	15.0000	3,749,488.62
National Bank of Egypt	Pounds	15,460,170.375	208,945.660	366.343	15,669,482.378	287.156 [2]	44,995,858.82
Banco Central de Reserva de El Salvador	Colones		4,681,405.50	2,852.88	4,684,258.38	2.50000	1,873,703.35
State Bank of Ethiopia	Dollars	13,377,375.30	1,363,385.33	4,226.74	14,744,987.37	40.2500 [2]	5,934,857.42
Bank of Finland	Markkas	8,474,898,839.00	89,900,000.00	117,926.00	8,564,916,765.00	230.000	37,238,768.55
Banque de France	Francs	187,550,000,000.	1,844,335,464.	1,907,406.	189,396,242,870.	349.600 [1]	541,751,266.79
Banco de Guatemala	Quetzales		3,744,940.19	2,199.73	3,747,139.92	1.00000	3,747,139.92
Banco Central de Honduras	Lempiras	647,881.60	100,000.00	1,998.00	749,879.60	2.00000	374,939.80
National Bank of Iceland	Krónur		12,183,211.65	20,324.91	12,203,536.56	16.2857	749,340.62
Reserve Bank of India	Rupees	1,786,600,000.0.0	463,004,526.4.7	5,796.14.3	2,249,610,323.2.10	21.0000 [2]	472,418,167.86
Bank Melli Iran	Rials	1,116,877,569.30	11,287,500.00	24,144.50	1,128,189,213.80	32.2500	34,982,611.28
National Bank of Iraq	Dinars	2,569,125.000	287,372.319	341.834	2,856,839.153	280.000 [2]	7,999,149.63

Banque de Syrie et du Liban, Beyrouth, Lebanon	Pounds		7,391,572.00	1,641.05	7,393,213.05	2.19148	3,373,616.48
Caisse d'Epargne de l'Etat (Luxembourg)	Francs	470,886,334.80	5,000,000.00	57,078.09	475,943,412.89	50.0000	9,518,868.25
Banco de Mexico S.A.	Pesos		583,862,197.65	12,431.02	583,874,628.67	8.65000	67,499,957.07
De Nederlandsche Bank N.V.	Guilders	1,058,000,000.00	11,325,526.17	3,970.59	1,069,329,496.76	3.80000	281,402,499.14
Departamento de Emision, Banco Nacional de Nicaragua	Córdobas		7,491,941.32	5,182.25	7,497,123.57	5.00000	1,499,424.72
Norges Bank	Kroner	263,848,315.10	3,988,941.41	7,448.66	267,844,705.17	14.0000 [2]	37,498,258.73
State Bank of Pakistan	Rupees	315,956,652.0.0	3,308,520.0.0	4,886.1.0	319,270,058.1.0	3.30852	96,499,358.64
Banco Nacional de Panama	Balboas	369,000.00	4,999.75	896.80	374,896.55	1.00000	374,896.55
Banco del Paraguay	Guaraníes		15,732,228.96	6,403.42	15,738,632.38	6.00000	2,623,105.39
Banco Central de Reserva del Peru	Soles	323,928,187.45	3,750,000.00	18,887.67	327,697,075.12	15.0000 [1]	21,846,471.68
Central Bank of the Philippines	Pesos	22,000,000.00	494,902.42	1,550.88	22,496,453.30	2.00000	11,248,226.65
Sveriges Riksbank	Kronor		429,365,981.07	7,235.42	429,373,216.49	5.17321	82,999,378.81
Banque de Syrie et du Liban, Damascus, Syria	Pounds	12,447,000.00	1,420,416.60	2,731.00	13,870,147.60	2.19148	6,329,123.51
Banque Centrale de la Republique de Turquie	Liras	78,250,000.00	26,035,905.73	2,028.90	104,287,934.63	2.80000	37,245,690.93
South African Reserve Bank	Pounds	26,405,574.8.7	379,089.11.7	405.1.5	26,785,069.1.7	280.000 [2]	74,998,193.42
Bank of England	Pounds	470,975,000.0.0	4,653,144.13.10	13,116.15.10	475,641,261.9.8	280.000 [2]	1,331,795,532.15
Federal Reserve Bank of New York	Dollars	1,253,000,000.00	29,605,693.48	363,395.89	1,282,969,089.37	100.000 [2]	1,282,969,089.37
Riggs National Bank, Washington, D. C.	Dollars			211,803.89	211,803.89	100.000 [2]	211,803.89
Banco Central de Venezuela	Bolivares	32,659,359.42	5,014,000.00	1,878.15	37,675,237.57	3.35000	11,246,339.57
Banque Nationale de la Republique Federative Populaire de Yougoslavie	Dinars		18,347,084,977.50	259,344.00	18,347,344,321.50	300.000	61,157,814.40
TOTALS in U. S. Dollar Equivalents		$4,939,836,478.03	$ 802,747,765.94	$ 664,551.77	$5,743,248,795.74		$5,743,248,795.74

[a] Parity rates, except for those marked [1] which are provisional rates for bookkeeping purposes. Rates marked [2] represent U. S. cents per currency unit; all other rates represent currency units per U. S. dollar. (See also note to Balance Sheet.)

Schedule 2 to
Exhibit A

Appendix X (v)

OTHER ASSETS

as at April 30, 1952

(Values expressed in U.S. dollars)

CASH			
Imprest funds (petty cash)		$ 1,100.00	
With technical representative overseas (French francs, at provisional rate)		1,174.12	$ 2,274.12
ACCOUNTS RECEIVABLE (including accruals)			
Members' accounts			
Charges on Fund's holdings of members' currencies and securities in excess of quotas	$886,680.21		
Other (Australia)	344.31	$887,024.52	
Travel and staff advances			
Travel	$ 10,867.01		
Employees' loans	27,830.50		
Employees' temporary advances	186.26	38,883.77	
Deposits		1,150.00	
General		19,693.28	
Accruals		4,911.64	951,663.21
PREPAYMENTS			
Postage		$ 4,186.52	
Insurance		8,541.15	
Travel		13,298.75	
Salaries and wages		2,158.11	
Other		315.61	28,500.14
TOTAL OTHER ASSETS			$982,437.47

Schedule 3 to
Exhibit A

Appendix X (vi)

LIABILITIES AND DEFERRED CREDITS

as at April 30, 1952

(Values expressed in U.S. dollars)

ACCOUNTS PAYABLE		
Commercial accounts and accruals	$ 88,179.55	
Other accruals		
Salaries and wages, including overtime	109,951.45	
National and local income tax reimbursements	53,798.93	
Unpaid travel costs	25,371.16	
Contributions to the Staff Retirement Fund	11,906.12	
International Bank for Reconstruction and Development—Salary and retirement contribution of an employee	329.22	
TOTAL ACCOUNTS PAYABLE AND ACCRUALS		$289,536.43
DEFERRED CREDITS		
Unearned income and other items	$ 4,744.44	
Payments received from members on capital subscriptions for the potential cost of turning into U.S. good delivery bars certain Canadian and Danish mint and miscellaneous bars transferred to the Fund	66,360.70	
Payments received from members to meet the potential cost of converting into currency certain gold received in lieu of currency	21,438.91	
TOTAL DEFERRED CREDITS		92,544.05
TOTAL LIABILITIES AND DEFERRED CREDITS		$382,080.48

Appendix X (vii)

Schedule 4 to Exhibit A

STATUS OF SUBSCRIPTIONS TO CAPITAL

as at April 30, 1952

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

		Payments on Subscriptions to Capital			Subscriptions to Capital Receivable	
Members	Quotas	1/100 of 1% Paid in U.S. Dollars [1]	Paid in Gold	Paid in Member's Currency [2]	Balances Due (Par Values Established)	Balances not Due (Par Values not Established)
Australia	200,000,000.00		8,404,843.20	191,595,156.80		
Austria	50,000,000.00					50,000,000.00
Belgium	225,000,000.00	22,500.00	56,227,500.00	168,750,000.00		
Bolivia	10,000,000.00	1,000.00			9,999,000.00	
Brazil	150,000,000.00	15,000.00	37,485,030.14	112,499,969.86		
Burma	15,000,000.00[3]		500,369.14			14,499,630.86
Canada	300,000,000.00	30,000.00	74,970,000.00	225,000,000.00		
Ceylon	15,000,000.00		751,010.09	14,248,989.91		
Chile	50,000,000.00	5,000.00	8,813,013.93	41,181,986.07		
China	550,000,000.00	55,000.00				549,945,000.00
Colombia	50,000,000.00	5,000.00	12,495,150.61	37,499,849.39		
Costa Rica	5,000,000.00	500.00	373,700.09	4,625,799.91		
Cuba	50,000,000.00	5,000.00	12,495,386.36	37,499,613.64		
Czechoslovakia	125,000,000.00	12,500.00	2,361,151.14	122,626,348.86		
Denmark	68,000,000.00	6,800.00	5,934,983.32	62,058,216.68		
Dominican Republic	5,000,000.00	500.00	1,249,512.67	3,749,987.33		
Ecuador	5,000,000.00	500.00	1,249,612.81	3,749,887.19		
Egypt	60,000,000.00	4,500.00	9,484,075.69	50,511,424.31		
El Salvador	2,500,000.00	250.00	624,787.80	1,874,962.20		
Ethiopia	6,000,000.00	600.00	61,752.22	5,937,647.78		

Finland	38,000,000.00		760,222.44	37,239,777.56		
France	525,000,000.00	52,500.00	108,056,306.15	416,891,193.85		
Greece	40,000,000.00	4,000.00				39,996,000.00
Guatemala	5,000,000.00	500.00	1,249,559.81	3,749,940.19		
Honduras	2,500,000.00	250.00	124,809.20	374,940.80	2,000,000.00	
Iceland	1,000,000.00	100.00	249,900.28	749,999.72		
India	400,000,000.00	40,000.00	27,486,453.61	372,473,546.39		
Iran	35,000,000.00	2,500.00	8,764,707.14	26,232,792.86		
Iraq	8,000,000.00	800.00		7,999,200.00[4]		
Italy	180,000,000.00	18,000.00				179,982,000.00
Lebanon	4,500,000.00	450.00	267,415.12	4,232,134.88		
Luxembourg	10,000,000.00	1,000.00	479,995.96	9,519,004.04		
Mexico	90,000,000.00	9,000.00	22,491,205.14	67,499,794.86		
Netherlands	275,000,000.00	27,500.00	68,722,500.00	206,250,000.00		
Nicaragua	2,000,000.00	200.00	499,975.66	1,499,824.34		
Norway	50,000,000.00	5,000.00	12,495,054.90	37,499,945.10		
Pakistan	100,000,000.00		3,500,607.22	96,499,392.78		
Panama	500,000.00	50.00	124,950.25	374,999.75		
Paraguay	3,500,000.00	200.00	875,496.47	2,624,303.53		
Peru	25,000,000.00	2,500.00	3,149,921.00	21,847,579.00		
Philippine Republic	15,000,000.00	1,500.00	3,748,548.79	11,249,951.21		
Sweden	100,000,000.00[3]		17,000,086.78	82,999,913.22		
Syria	6,500,000.00	650.00	169,187.17[5]	6,330,162.83		
Thailand	12,500,000.00		3,125,008.14			9,374,991.86
Turkey	43,000,000.00	4,300.00	10,745,912.23	32,249,787.77		
Union of South Africa	100,000,000.00	10,000.00	24,994,519.20	74,995,480.80		
United Kingdom	1,300,000,000.00	130,000.00	236,135,323.70	1,063,734,676.30		
United States	2,750,000,000.00	275,000.00	687,500,000.11	2,062,224,999.89		
Uruguay	15,000,000.00	1,500.00				14,998,500.00
Venezuela	15,000,000.00	1,500.00	3,748,541.96	11,249,958.04		
Yugoslavia	60,000,000.00	6,000.00	7,896,966.11	52,097,033.89		
TOTALS	8,153,500,000.00	759,650.00	1,487,845,053.75	5,794,100,173.53	11,999,000.00	858,796,122.72

NOTES:

1. As per Article XX, Sec. 2(d) of the Articles of Agreement.
2. The established parities for members' currencies represent par values in relation to the U.S. 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.
3. New members: Burma and Sweden.
4. Member's payment exclusively in national currency is considered by the Fund as final—Iraq.
5. Accepted provisionally—Syria.

Exhibit B

Appendix X (viii)

STATEMENT OF INCOME AND EXPENDITURE

for the Year Ended April 30, 1952

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

INCOME

Income from operations			
Service charges on exchange transactions		$ 236,718.75	
Charges on Fund's holdings of members' currencies and securities in excess of quotas		2,994,595.99	
Other operational income		6,250.14	$3,237,564.88
Other income			
Sale of Fund's publications		$ 14,412.05	
Miscellaneous income		216.20	14,628.25
TOTAL INCOME			$3,252,193.13

EXPENDITURE

Current administration			
Personnel outlays			
Personal services			
Salaries and wages		$2,780,118.18	
Emergency service differential		10,508.99	
Compensation for national and local taxation		391,307.72	
Expense allowance for Managing Director		7,999.97	
Installation allowances		11,160.00	
Total personal services		$3,201,094.86	
Staff benefits			
Contributions to group health benefits	$ 14,470.32		
Contributions to Staff Retirement Fund	338,020.05		
Other contributions to staff benefits	686.28		
Total staff benefits		353,176.65	
Total personnel outlays		$3,554,271.51	
Travel			
Travel for Fund's business	$168,611.58		
Appointment travel (bringing personnel to seat of Fund on appointment)	54,967.59		
Repatriation travel (returning personnel to homeland on separation)	50,819.25		
Home leave travel	36,523.64	310,922.06	
Communications			
Telegraph and cable services	$ 22,498.59		
Telephone services	38,960.43		
Postal services	36,176.79	97,635.81	
Carried forward		$3,962,829.38	$3,252,193.13

STATEMENT OF INCOME AND EXPENDITURE

for the Year Ended April 30, 1952

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

TOTAL INCOME (brought forward)			$3,252,193.13
EXPENDITURE (continued)			
Current administration (brought forward)		$3,962,829.38	
Office occupancy expense			
Space rentals and maintenance services	$424,790.87		
Building alterations	10,308.17	435,099.04	
Books and printing			
Books, newspapers, and periodicals	$ 21,708.13		
Printing, by contract	113,567.09	135,275.22	
Supplies and equipment (including rentals, repairs, and maintenance)			
Equipment	$ 51,061.81		
Consumable supplies	38,994.62	90,056.43	
Miscellaneous expenses			
Insurance	$ 10,563.09		
Representation	6,222.13		
External audit	8,738.47		
Sundry contractual services	13,779.72		
Freight and express	2,693.33		
Sundries, including gold handling charges and exchange adjustments ($195.81)	1,855.83	43,852.57	
Total expenditure for current administration, including gold handling charges and exchange adjustments		$4,667,112.64	
Meeting(s) of Board of Governors			
Sixth annual meeting	$104,907.96		
Seventh annual meeting	965.08		
	$105,873.04		
Less: Net adjustments for fourth and fifth annual meetings	2,447.29	103,425.75	
TOTAL EXPENDITURE			$4,770,538.39
EXCESS OF EXPENDITURE OVER INCOME (Exhibit A)			$1,518,345.26

Members	Outstanding as at April 30, 1951 for previous fiscal years		Determined during year under review for fiscal year 1950-1951	Total
	1948-1949	1949-1950		
Brazil		$ 16,638,294.53	$ 48,860,696.21	$ 65,498,990.74
Chile	$ 3,434,000.00	2,953,040.79	6,092,267.49	12,479,308.28
Iraq				
Lebanon		855,842.24		855,842.24
Mexico		15,891,000.00	6,607,014.85	22,498,014.85
Netherlands			230,000.02	230,000.02
Norway		9,560,948.86		9,560,948.86
Peru		1,695,028.22	1,402,270.51	3,097,298.73
Syria			418,000.00	418,000.00
Turkey			4,997,729.07	4,997,729.07
	$ 3,434,000.00	$ 47,594,154.64	$ 68,607,978.15	$119,636,132.79

X (ix)
REPURCHASE OBLIGATIONS
30, 1952

Discharged during year under review		Outstanding as at April 30, 1952	Remarks
In gold	In U.S. dollars		
		$ 65,498,990.74	Brazil undertook to discharge: June 1952, $15 million (which was actually discharged on June 2, 1952); July 1952, $25 million, and August 1952, $25.5 million.
	$ 3,434,000.00	9,045,308.28	Chile discharged on June 28, 1951, $3,434,000.00, and undertook to discharge: Year 1952 $3,679,-308.28 (which was actually discharged on May 28, 1952) and the balance remains as follows: January 1953 $1,788,000.00 February 1953 1,788,000.00 March 1953 1,790,000.00 Total outstanding at May 28, 1952 $5,366,000.00
		....	After receiving the monetary reserves data the Fund decided that no repurchase obligations existed as to fiscal years 1947-48, 1948-49, 1949-50 and 1950-51.
$ 793,412.94	62,429.30	....	Discharged July 23, 1951 and September 4, 1951.
14,898,050.93	7,599,963.92	....	Discharged June 29, 1951.
230,000.02		....	Discharged February 18, 1952.
	9,560,948.86	....	Discharged November 1, 1951.
		3,097,298.73	Peru has signified acceptance of the Fund's computation in a letter dated April 28, 1952.
		418,000.00	After receiving the monetary reserves data the Fund decided that no repurchase obligations existed as to fiscal years 1947-48, 1948-49, and 1949-50. Syria discharged the repurchase obligation for fiscal year 1950-51 after April 30, 1952, i.e., on May 13, 1952.
		4,997,729.07	Discharged after April 30, 1952, i.e., May 20, 1952.
$ 15,921,463.89	$ 20,657,342.08	$ 83,057,326.82	

Exhibit D

Appendix X (x)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the Year Ended April 30, 1952

(The amounts in the last three columns are expressed in U.S. dollars)

SOURCE OF FUNDS			
Paid in capital subscriptions as at April 30, 1952			$7,282,704,877.28
Paid in capital subscriptions as at April 30, 1951			7,129,955,518.23
TOTAL FUNDS PROVIDED			$ 152,749,359.05
APPLICATION OF FUNDS			
I. Increase of Fund's holdings in members' currencies			
1. Payments on subscriptions			
Finnish markkas—8,565,148,839.00		$37,239,777.56	
Ceylon rupees—67,852,332.90		14,248,989.91	
Swedish kronor—429,375,981.07		82,999,913.22	$ 134,488,680.69
2. Purchase of members' currencies			
Iranian rials—282,187,500.00		$ 8,750,000.00	
Brazilian cruzeiros—693,750,000.00		37,500,000.00	46,250,000.00
3. Payments received discharging repurchase obligations			
United States dollars (par)			20,657,342.08
4. Payments received for charges on balances in excess of quota			
Yugoslav dinars—1,128,825.25 [1]		$ 7,988.17	
Czechoslovak korunas—2,066,114.50		41,322.29	
U.K. pounds—182,182.7.9		510,110.69	559,421.15
5. Payment received in Yugoslav dinars to maintain U.S. dollar equivalent of currency accounts reduced by devaluation—15,293,329,160.00			nil
6. Other funds acquired in various currencies			
Sale of Fund's publications		$ 14,412.05	
Other operational income		6,250.14	
Miscellaneous		216.20	20,878.39
Total increase in members' currencies			$ 201,976,322.31
Deduct:			
Decrease of Fund's holdings in members' currencies in connection with			
1. Repurchase obligations			
Chilean pesos—106,454,000.00	$ 3,434,000.00		
Lebanese pounds—1,875,561.15	855,842.24		
Mexican pesos—194,607,828.53	22,498,014.85		
Netherlands guilders—874,000.06	230,000.02		
Norwegian kroner—68,292,491.86	9,560,948.86	$36,578,805.97	
Carried forward		$36,578,805.97	$ 201,976,322.31

[1] Considering the old and the new par values.

Appendix X (x) *(continued)*

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the Year Ended April 30, 1952

(The amounts in the last three columns are expressed in U.S. dollars)

Total increase in members' currencies (brought forward)			$ 201,976,322.31
Deduct:			
Decrease of Fund's holding in members' currencies in connection with			
1. Repurchase obligations (brought forward)		$36,578,805.97	
2. Sale of member's currency United States dollars (par)		46,250,000.00	
3. Finalization of gold payment on subscriptions Yugoslav dinars—5,525,971.50		18,419.91	
4. Refund overpayment member's currency Peruvian soles—5,497.55		366.50	
5. Administrative expenditures			
United States dollars	$ 4,613,516.02		
Other members' currencies	69,106.11	4,682,622.13	
Total decrease in members' currencies			87,530,214.51
Net increase in members' currencies			$ 114,446,107.80
II. Increase of Fund's holdings—Gold			
1. Payment of members' subscriptions		$18,279,098.27	
2. Discharge of repurchase obligations		15,921,463.89	
3. Payment for service charges		236,718.75	
4. Payment for charges on balances in excess of quota			
a) for year ended April 30, 1951	$ 522,310.07		
b) for year ended April 30, 1952	1,612,115.65		
	$2,134,425.72		
Less: Exchange adjustments	0.24	2,134,425.48	36,571,706.39
III. Net increase in other assets and liabilities			
1. Increase of other assets		$ 301,620.49	
2. Less: Increase of other liabilities and deferred credits		$ 88,420.89	213,199.60
Total increase of assets for the year ended April 30, 1952			$ 151,231,013.79
IV. Excess of expenditure over income for the year ended April 30, 1952			1,518,345.26
TOTAL FUNDS APPLIED			$ 152,749,359.05

NOTE:

The figures related to income and expenditure, as shown above, reflect only actual movement of funds. The changes with respect to pending and accrued income and expenditure are reflected through the net increase of other assets and liabilities.

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, 1952. 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, 1952, 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, 1952, 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 present fairly the financial position of the Staff Retirement Fund of the International Monetary Fund as at April 30, 1952, and the results of operations for the year ended that date. The Balance Sheet was prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the previous fiscal period from May 1, 1950 to April 30, 1951.

THE AUDIT COMMITTEE

/s/ Manuel de J. Fernandez Cepero (Cuba)
/s/ Gilles de Wailly (France)
/s/ Syed-Uz-Zaman (Pakistan)

Washington, D. C., U.S.A.
June 13, 1952

Exhibit I

Appendix X (xii)

STAFF RETIREMENT FUND

BALANCE SHEET

as at April 30, 1952

ASSETS

CASH IN BANK		
The Riggs National Bank, Washington, D. C.	$ 2,431.91	
The Chase National Bank of the City of New York	590.96	$ 3,022.87
INVESTMENTS (Book value)		
Bonds		
United States Government	$ 890,481.93	
International Bank for Reconstruction and Development (market value, $335,171.25)	346,283.95	
Commercial (market value, $384,420.00)	407,839.18	
	$1,644,605.06	
Corporate Stocks (Common) (market value, $295,225.00)	288,867.54	
Total Investments (Schedule 1)	$1,933,472.60	
Less: Reserve against Corporate Stock Investments	3,693.25	1,929,779.35
ACCRUED INTEREST ON BONDS		9,089.14
ACCRUED CONTRIBUTIONS RECEIVABLE FROM INTERNATIONAL MONETARY FUND		18,091.48
TOTAL ASSETS		$1,959,982.84

LIABILITIES AND RESERVES

ACCOUNTS PAYABLE	$ 11.02
PARTICIPANTS' ACCOUNT (Schedule 2)	519,993.82
ACCUMULATION ACCOUNT (Schedule 3)	1,386,672.75
RETIREMENT RESERVE ACCOUNT (Schedule 4)	53,305.25
TOTAL LIABILITIES AND RESERVES	$1,959,982.84

Schedule 1 to
Exhibit I

Appendix X (xiii)

STAFF RETIREMENT FUND

LISTING OF INVESTMENTS

April 30, 1952

	Interest Rate—%	Maturity	Face Value	Book Value	
BONDS					
United States Savings, Series G	2½	1960	$250,000.00	$250,000.00	
United States Savings, Series G	2½	1961	100,000.00	100,000.00	
United States Savings, Series G	2½	1962	100,000.00	100,000.00	
United States Savings, Series G	2½	1963	65,000.00	65,000.00	
United States Treasury	2½	1967	54,000.00	52,960.48	
United States Treasury	2½	1969	153,000.00	148,641.80	
United States Treasury	2½	1970	55,500.00	54,317.93	
United States Treasury	2½	1972	18,000.00	17,456.68	
United States Treasury	2¾	1980	103,000.00	102,105.04	$ 890,481.93
International Bank for Reconstruction and Development	3	1972	276,000.00	$271,283.95	
International Bank for Reconstruction and Development	3	1976	50,000.00	50,000.00	
International Bank for Reconstruction and Development	3¼	1981	25,000.00	25,000.00	346,283.95
Commercial Bonds					
American Telephone and Telegraph Company—Debentures	2¾	1980	38,000.00	$ 38,103.83	
Connecticut Light and Power Co.—1st & Refunding Mortgage "L"	2¾	1984	12,000.00	12,259.36	
Consolidated Edison Company of New York, Inc.—1st & Refunding "E"	3	1979	38,000.00	39,737.16	
Duke Power Company—1st & Refunding Mortgage	2⅞	1979	13,000.00	13,624.17	
Illinois Bell Telephone Company — 1st Mortgage "A"	2¾	1981	25,000.00	25,377.12	

Appendix X (xiii) *(continued)*

STAFF RETIREMENT FUND

LISTING OF INVESTMENTS

April 30, 1952

	Interest Rate—%	Maturity	Face Value	Book Value	
Commercial Bonds (continued)					
New York Telephone Company — 1st & Refunding Mortgage "D"	2¾	1982	$ 37,000.00	$ 37,578.53	
Pacific Gas and Electric Company — 1st and Refunding "S"	3	1983	45,000.00	47,012.18	
Pennsylvania Power & Light Company—1st Mortgage	3	1975	38,000.00	39,670.26	
Philadelphia Electric Company—1st & Refunding Mortgage	2¾	1974	24,000.00	24,309.96	
Potomac Electric Power Company — 1st Mortgage	2¾	1985	44,000.00	44,322.82	
Public Service Electric and Gas Company — 1st & Refunding Mortgage	2⅞	1979	40,000.00	41,570.05	
Standard Oil Company (New Jersey) —Debentures	2¾	1974	30,000.00	30,133.44	
United Gas Corporation—1st Mortgage & Collateral Trust	2¾	1970	14,000.00	14,140.30	407,839.18
					$1,644,605.06

CORPORATE STOCKS (Common)	No. of Shares	Book Value
Abbott Laboratories	200	$ 11,063.00
Aluminium Limited	100	9,975.00
Aluminum Company of America	100	8,509.48
American Can Company	100	10,036.00
American Natural Gas Company	440	12,823.14
Atlantic Refining Company	100	7,558.53
Caterpillar Tractor Co.	100	4,855.83
Continental Insurance Company	100	7,033.00
Corn Products Refining Company	100	6,932.90
Dow Chemical Company	105	8,903.53
General Electric Company	200	10,637.58
Gulf Oil Corporation	200	8,584.55
Hartford Fire Insurance Company	100	13,125.00
International Harvester Company	300	10,368.95

Appendix X (xiii) (*continued*)

STAFF RETIREMENT FUND
LISTING OF INVESTMENTS

April 30, 1952

CORPORATE STOCKS (continued)	No. of Shares	Book Value	
International Nickel Company of Canada, Limited	300	$ 11,738.25	
International Paper Company	200	8,885.82	
Libby-Owens-Ford Glass Company	300	10,733.25	
Lone Star Cement Corporation	400	10,278.44	
May Department Stores Company	100	3,025.00	
Merck & Company, Inc.	200	6,590.19	
Monsanto Chemical Company	100	8,922.39	
Montgomery Ward & Co., Incorporated	200	14,153.59	
National Distillers Products Corporation	300	9,539.81	
National Lead Company	200	5,773.63	
Ohio Edison Company	200	6,904.25	
Peoples Gas Light and Coke Company	100	11,537.50	
Pittsburgh Plate Glass Company	200	8,185.12	
Socony-Vacuum Oil Company, Incorporated	400	11,057.32	
Texas Company	100	4,768.24	
Union Carbide and Carbon Corporation	100	6,332.30	
Westinghouse Electric Corporation	300	11,025.00	
Woolworth (F. W.) Co.	200	9,010.95	288,867.54
TOTAL INVESTMENTS (Exhibit I)			$1,933,472.60

Schedule 2 to
Exhibit I

Appendix X (xiv)

STAFF RETIREMENT FUND

STATEMENT OF PARTICIPANTS' ACCOUNT

as at April 30, 1952

INCOME

CONTRIBUTIONS OF PARTICIPANTS			
Prior service	$ 10,731.14		
Participating service	160,884.88		
Additional voluntary contributions	1,973.00	$173,589.02	
TRANSFERS FROM ACCUMULATION ACCOUNT (Schedule 3)			
Interest credited to participants in respect of:			
Prior service	$ 948.33		
Participating service	10,292.85		
Additional voluntary contributions	132.76	11,373.94	
TOTAL INCOME			$184,962.96

OUTGO

REFUNDS (Contributions and interest)			
To former participants who have withdrawn	$ 35,354.56		
On death	644.98	$ 35,999.54	
TRANSFERS			
To Retirement Reserve	$ 5,008.03		
To International Bank for Reconstruction and Development—Retirement Plan	270.87	5,278.90	
TOTAL OUTGO			41,278.44
EXCESS OF INCOME OVER OUTGO FOR THE PERIOD			$143,684.52
ADD: BALANCE AS AT APRIL 30, 1951			376,309.30
BALANCE OF PARTICIPANTS' ACCOUNT AS AT APRIL 30, 1952 (Exhibit I)			$519,993.82

Schedule 3 to
Exhibit I

Appendix X (xv)

STAFF RETIREMENT FUND

STATEMENT OF ACCUMULATION ACCOUNT

as at April 30, 1952

INCOME			
CONTRIBUTIONS OF EMPLOYER			
Participants' prior service	$ 24,435.00		
Participants' participating service	317,421.43	$341,856.43	
INCOME ON INVESTMENTS			
Interest on bonds	$ 39,815.89		
Dividends received	9,684.75		
Other	65.63		
	$ 49,566.27		
Add: Accumulation of discounts and amortization of premia (net)	48.19	49,614.46	
OTHER INCOME			
Interest on unpaid prior service contributions of participants		607.79	
Other interest		4.30	
TOTAL INCOME			$392,082.98
OUTGO			
BENEFITS			
To former participants who have withdrawn, including interest	$ 7,328.16		
On death	6,969.02	$ 14,297.18	
TRANSFERS			
Interest credited to participants' accounts	$ 11,373.94		
To Retirement Reserve Account (includes interest of $1,211.27)	7,467.56		
To International Bank for Reconstruction and Development—Retirement Plan	669.74		
To Reserve against Corporate Stock Investments	3,693.25	23,204.49	
TOTAL OUTGO			37,501.67
EXCESS OF INCOME OVER OUTGO FOR THE PERIOD			$ 354,581.31
ADD: BALANCE AS AT APRIL 30, 1951			1,032,091.44
BALANCE OF ACCUMULATION ACCOUNT AS AT APRIL 30, 1952 (Exhibit I)			$1,386,672.75

Schedule 4 to
Exhibit I

Appendix X (xvi)

STAFF RETIREMENT FUND
STATEMENT OF RETIREMENT RESERVE ACCOUNT
as at April 30, 1952

INCOME

TRANSFERS	
From Participants' Account (Schedule 2)	$ 5,008.03
From Accumulation Account (includes interest of $1,211.27) (Schedule 3)	7,467.56
TOTAL INCOME	$12,475.59

OUTGO

PENSION PAYMENTS TO RETIRED PARTICIPANT	$ 1,876.60
EXCESS OF INCOME OVER OUTGO FOR THE PERIOD	$10,598.99
ADD: BALANCE AS AT APRIL 30, 1951	42,706.26
BALANCE OF RETIREMENT RESERVE ACCOUNT AS AT APRIL 30, 1952 (Exhibit I)	$53,305.25

Appendix X (xvii)

STAFF RETIREMENT FUND

STATEMENT OF APPLICATION OF FUNDS

for the Year Ended April 30, 1952

FUNDS PROVIDED		
Contributions of participants		
Prior service	$ 10,731.14	
Participating service	160,884.88	
Additional voluntary contributions	1,973.00	$173,589.02
Contributions of employer		
For participants' prior service	$ 24,435.00	
For participants' participating service	317,421.43	341,856.43
Sales and redemptions of investments		
Sales	$ 12,964.52	
Redemptions	24,989.04	37,953.56
Income on investments		49,566.27
Interest on unpaid prior service contributions of participants		607.79
Other interest income		4.30
TOTAL FUNDS PROVIDED		$603,577.37
FUNDS APPLIED		
Purchases of investments		$546,578.01
Refunds		
To former participants, including interest	$ 35,354.56	
On death (prior to retirement)	644.98	35,999.54
Benefits		
To former participants who have withdrawn, including interest	$ 7,328.16	
On death	6,969.02	14,297.18
Pension payments to retired participant		1,876.60
Transfers to Retirement Plan of International Bank for Reconstruction and Development		
From Participants' Account (net)	$ 270.87	
From Accumulation Account (net)	669.74	940.61
Increase in working capital (Schedule 1)		3,885.43
TOTAL FUNDS APPLIED		$603,577.37

Schedule 1 to
Exhibit II

Appendix X (xviii)

STAFF RETIREMENT FUND

STATEMENT OF CHANGES IN WORKING CAPITAL

for the Year Ended April 30, 1952

	April 30, 1952	April 30, 1951	Increase (—Decrease)
CURRENT ASSETS			
Cash	$ 3,022.87	$ 7,277.35	$—4,254.48
Accrued interest on investments	9,089.14	6,624.56	2,464.58
Accrued contributions receivable from International Monetary Fund	18,091.48	12,935.32	5,156.16
	$ 30,203.49	$ 26,837.23	$ 3,366.26
CURRENT LIABILITIES			
Accounts payable	11.02	530.19	— 519.17
WORKING CAPITAL	$ 30,192.47	$ 26,307.04	$ 3,885.43

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Appendix XI

EXPLANATORY COMMENT ON DIFFERENCES IN FORM OF PRESENTING BALANCE SHEET ADOPTED BY THIS YEAR'S AUDIT COMMITTEE

The following comment has been prepared by the Executive Directors for the purpose of assisting comparison between the balance sheet presented by the Audit Committee this year with balance sheets prepared by earlier Audit Committees:

1. In previous balance sheets gold held under earmark for members under Rule I-1 of the Rules and Regulations has not been shown as an asset of the Fund. In this year's balance sheet such gold, amounting to 1,903.136 fine ounces, appears as a deduction from the gold held in custody for the Fund with authorized depositories.

2. In previous balance sheets a single amount was shown for the currency holdings of the Fund. In this year's balance sheet separate totals are shown for the Fund's No. 1 Accounts and No. 2 Accounts respectively.

3. In previous balance sheets a single total was shown for all Other Assets. In this year's balance sheet Fixed Assets are shown separately from Other Assets.

4. In previous balance sheets reserves were shown separately for the potential cost of turning certain gold into new bars and for converting purchased gold into currency. In this year's balance sheet these reserves are included in one item with the new title Liabilities and Deferred Credits amounting to $382,080.48, of which $87,799.61 represents the aforesaid reserves.

5. In previous balance sheets total Authorized Subscriptions have appeared on the Capital and Liabilities side, and unpaid subscriptions on the Assets side under the title Subscriptions to Capital-Receivable. In this year's balance sheet unpaid subscriptions amounting to $870,795,122.72 appear as a deduction from authorized subscriptions of members under the heading Net Capital.

Appendix XII (i)

SCHEDULE OF PAR VALUES—as of July 1, 1952

CURRENCIES OF METROPOLITAN AREAS

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

Iceland	Króna	0.054 567 6	570.000	16.285 7	6.140 36
India	Rupee	0.186 621	166.667	4.761 90	21.000 0
Iran	Rial	0.027 555 7	1,128.75	32.250 0	3.100 78
Iraq	Dinar	2.488 28	12.500 0	0.357 143	280.000
Italy	Lira	Par Value not yet established			
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
Sweden	Krona	0.171 783	181.062	5.173 21	19.330 4
Syria	Pound	0.405 512	76.701 8	2.191 48	45.631 3
Thailand	Baht	Par Value not yet established			
Turkey	Lira	0.317 382	98.000 0	2.800 00	35.714 3
Union of South Africa	Pound	2.488 28	12.500 0 (or 250 shillings)	0.357 143	280.000
United Kingdom	Pound	2.488 28	12.500 0 (or 250 shillings)	0.357 143	280.000
United States	Dollar	0.888 671	35.000 0	1.000 00	100.000
Uruguay	Peso	Par Value not yet established			
Venezuela	Bolivar	0.265 275	117.250	3.350 00	29.850 7
Yugoslavia	Dinar	0.002 962 24	10,500.0	300.000	0.333 333

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

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

Appendix XII (ii)

SCHEDULE OF PAR VALUES—as of July 1, 1952

SEPARATE CURRENCIES IN NON-METROPOLITAN AREAS OF MEMBERS

Member and Non-Metropolitan Areas	Currency and Relation to Metropolitan Unit	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
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)				
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)	2.488 28	12.500 0	0.357 143	280.000
Gibraltar	Gibraltar Pound (parity with sterling)				
Malta	Maltese Pound (parity with sterling)				
Bahamas	Bahamas Pound (parity with sterling)				
Bermuda	Bermuda Pound (parity with sterling)				

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