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CONTENTS

President: Mr. Daniel COSÍO VILLEGAS (Mexico).

Present:

Representatives of the following States: Afghanistan, Bulgaria, Chile, China, Costa Rica, Finland, France, Mexico, Netherlands, New Zealand, Pakistan, Poland, Spain, Sudan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela.

Observers for the following Member States: Argentina, Brazil, Canada, Colombia, Czechoslovakia, Hungary, India, Japan, Philippines, Yugoslavia.

The observer for the following non-member State: Federal Republic of Germany.

Representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, International Monetary Fund.

AGENDA ITEM 3

Report of the International Monetary Fund (E/3197, E/3197/Add.1 and Corr.1)

1. The PRESIDENT called upon Mr. Jacobsson, the representative of the International Monetary Fund, to present the Fund's report.[1]

2. Mr. JACOBSSON (Managing Director of the International Monetary Fund) said that, while the world political situation had remained tense over the past twelve months, there had been no economic and financial crisis. Nevertheless, the primary producing countries had felt the impact of the lower prices paid for their products, and a number of industrialized countries had relatively high rates of unemployment. The main characteristics of the period had been the end of the recession in the United States; the strengthening of monetary reserves, especially in western Europe; the institution of external convertibility by fourteen European countries; renewed expansion in world trade; and plans to increase the resources of the Fund and the International Bank for Reconstruction and Development.

3. So far as the United States was concerned, the decline in activity had been arrested by the second quarter of 1958. By the end of 1958 the gross national product had recovered, in real terms, to a level as high as the previous peak in the third quarter of 1957, but the proportion of unemployment (6.1 per cent of the labour force) had fallen less than in the periods of recovery after the two previous recessions. That rapid recovery was attributable not only to the existence of " built-in stabilizers ", to structural improvements in such fields as mortgage finance, to the spirit of enterprise and to technical progress, but also, first and foremost, to action by the Government, which had placed increased orders with industry, especially for national defence. On the monetary side the most important events had been the expansion of commercial bank credit, certain open market operations and the lowering of interest rates.

4. In the middle of 1957, conditions in the United States and in certain other countries had been such that it could well be argued that there was need for increased liquidity. It had been natural, therefore, for countries which considered themselves to be in a strong financial position to take the lead in a policy of credit expansion. Without such action on the part of the United States, other factors, especially those of a budgetary nature, would probably not have been sufficiently powerful to effect a recovery. The infusion of new money had made it possible to keep up the level of consumer income and imports at a time when exports were declining. Furthermore, the United States economy had been able to maintain its foreign investments at a high level. Thus the United States anti-recession policy had helped to strengthen the monetary reserves of other countries which, in their turn, had been able to ease credit and thus contribute to an upturn in business activity.

5. In the United States and some other industrialized countries, the recovery in production had not been accompanied by a corresponding drop in unemployment; that was due partly to the increase in productivity. While such an increase was in itself a gain, measures to reabsorb the unemployed workers nevertheless required consideration. The subject was not receiving attention in a number of countries, but it was clear that no single measure could alone suffice to expand production and absorb the unemployed workers. The liquidity of the economy had to be kept at an adequate level through appropriate credit and fiscal policies in order to sustain purchasing power, while increases in costs and prices liable to interfere with sales had to be avoided.

[1] International Monetary Fund, *Annual Report of the Executive Directors for the fiscal year ended April 30, 1958* (Washington, D.C.), transmitted to the Council by a note of the Secretary-General (E/3197); and " Summary of activities from May 1, 1958, to December 31, 1958 " and *Enlargement of Fund resources through increases in quotas: A report by the Executive Directors to the Board of Governors* (Washington, D.C.), transmitted to the Council by a note of the Secretary-General (E/3197/Add.1 and Corr.1).

6. It was interesting to recall that the 1929 economic crisis had been responsible for a change in economic thought. Up to that time it had been thought that drastic wage reductions could overcome a depression and restore full employment. Experience had shown that that view was a fallacy. At the present time both production and productivity were increasing in a number of countries and, in the United States as in Europe, expanding production was sustained by ample liquidity. If, in those circumstances, costs and prices could be held down, there was a very good chance that recovery would continue and that unemployed workers would be reabsorbed. There would thus be an increase in gross national product sufficient to permit a rise in the level of living which could not be achieved in any other way. If, on the other hand, costs increased, the danger lay not so much in renewed inflation as in failure to expand production and reduce unemployment.

7. While several leading industrial countries had not hesitated to expand the credit volume in order to overcome recession, they had of course to bear in mind the risk of inflation. In that connexion the psychological factor was not negligible, and the authorities should make it clear that no further inflation would be allowed and should, at the very least, balance the budget. It was difficult, however, to lay down any general rule because conditions varied from country to country.

8. In Europe the easier credit conditions had continued after the institution of external convertibility, a fact which demonstrated that that move had been made as the result of a strengthened financial situation. The States Parties to the European Monetary Agreement had access to special credits, but not to semi-automatic credits as under the European Payments Union (EPU). Thus the current arrangement was similar to that of the Fund, which rendered assistance only to countries which were determined to place their currency on a sound footing. Some commentators had expressed concern at the disappearance of the automatic financing established under the EPU on the ground that it was liable to place an undue burden on countries whose reserves were falling. In reality the improvement in the international banking system and the elimination of many restrictions now made it much easier for States to tap the resources of the market. Indeed, that was the more appropriate procedure, for the central banks should act as lenders only as a last resort.

9. It should also be remembered that the International Monetary Fund and the European Monetary Agreement had been established precisely for the purpose of assisting the central banks. The practice of the Fund was to allow any member, on its application, to draw an amount equivalent to its own gold subscription, normally 25 per cent of its quota. For the next 25 per cent, the State had to show that it was making reasonable efforts to solve its problems. Beyond those limits, the Fund granted requests only if the drawing was in support of a programme designed to stabilize the currency at realistic rates of exchange. States in difficulties invariably drew the currency of a creditor State, which thus contributed to the restoration of the monetary situation. But it was proper that the deficit countries should also make their contribution, and they did so by correcting maladjustments in their economies, often with financial and technical assistance from the Fund.

10. Lastly, it was generally recognized that countries with a balance-of-payments surplus were under an obligation to pursue economic and financial policies favourable to world trade. It was their duty, in particular, to maintain internal demand and production at high levels, thus ensuring an outlet for the exports of other countries. Again, it was the responsibility of the large industrial countries, in their own interest and in the interest of the rest of the world, to correct excessive cyclical fluctuations. The under-developed countries, in their turn, should realize that it was incumbent on them to adapt their economies to fluctuations in demand.

11. In recent years the prices of primary products had fallen; thus the terms of trade had improved for the advanced countries and deteriorated for the primary producing countries. The price decline was not merely the by-product of cyclical fluctuations. It was due to deep-seated structural changes in the economy, including a sharp increase in productive capacity, competition from synthetic and new products, and difficulties associated with the disposal of agricultural surpluses in the United States. Thus many under-developed countries were faced with long-term problems for which the only solution probably lay in the diversification of their own production and exports, for which they would need both new capital and technical knowledge. At the same time they had to take account of the demand of their rapidly growing populations for a higher level of living, which also required investment. In those circumstances they were often tempted to look to an expansion of credit — with, inevitably, inflationary consequences — to provide the funds they needed. In the first stage, such a policy might bring forth a measure of forced savings, which facilitated investment; but soon afterwards prices would be found to rise more rapidly than wages, there would be a flight from the currency, and without a ready flow of savings no economic progress could be sustained. Furthermore, an unstable currency frightened off foreign investors, and even the national and international agencies established to promote the economic development of under-developed countries. Such countries were increasingly aware of that situation, and were working out stabilization programmes accordingly.

12. During the twelve months from 1 April 1958 to 31 March 1959 many member States had been able to repay to the Fund in a relatively short time the amounts they had drawn earlier. Repayments had totalled $537.3 million, while drawings had come to only $262.9 million. However, by the end of March 1959, the Fund's commitments under stand-by arrangements amounted to $1,157.3 million.

13. The improved situation in western Europe had shifted the relative emphasis of the Fund's financial activities to other parts of the world. In the twelve months just mentioned, the Fund had extended assistance to thirteen countries in Latin America and seven elsewhere. Two transactions of particular interest had been those of assistance to two comprehensive stabilization

programmes in Turkey and Argentina. Those two countries had also received loans from other sources, especially the United States. At the beginning of March 1959 the Fund had concluded a stand-by arrangement for $90 million with Mexico, which had reiterated its irrevocable decision to maintain the stability and convertibility of its currency.

14. During the past twelve months the Fund, in accordance with article XIV of its Articles of Agreement, had held consultations with thirty-four member States. Those consultations had generally been carried out by missions to the countries concerned. In addition the Fund had in many cases extended technical assistance to member States applying for it, and was continuing its training programme, of which forty-one countries had taken advantage in 1958.

15. In the first two years of the Fund's existence most of its transactions had been with countries in Europe, as those in the sterling area and Latin America had had little need of assistance at the time. After a period of relative calm, the Suez crisis had led the Fund to grant the United Kingdom assistance in a total amount of $1,300 million, the effect of which had been incalculable. Since its establishment the Fund had furnished its members with some $4,200 million, of which approximately two-thirds had been provided since autumn 1956. In addition, out of forty-one stand-by arrangements, twenty-nine had been concluded with countries in Latin America.

16. On 2 February 1959, the Governors had approved an increase in their Fund's resources. If each of the member countries took up the proposed increase in its quota, those resources would be enlarged by $5.8 thousand million and the Fund's holdings of gold and of the six currencies which had been drawn upon in recent years would be increased by 75 per cent. The real significance of the increase was not so much in the increased capacity of the Fund to meet currently foreseeable needs, but rather in the reinforcement that it would give to the second-line reserves available to countries which might find themselves in temporary balance-of-payment difficulties, especially in times of emergency which by their very nature could not be foreseen. The very possibility of access to the Fund's resources on a more substantial scale than before should give members more confidence and encourage them to move faster towards achieving the purposes of the Fund. Thus the benefits of the increased resources would not be limited to those countries which had sought or might seek assistance from the Fund, for the financial rehabilitation of countries in difficulties and the establishment of a properly functioning international monetary system would serve the interests of all nations.

17. It was the duty of the Fund to promote international co-operation designed to combine exchange stability with a balanced growth of world trade. In carrying out that task, it would have to maintain close contact with other international organizations and with Governments. He was glad to be able to report that member countries continued to show great willingness to work with the Fund and to strengthen its effectiveness.

18. Despite the great progress made, many monetary problems remained to be solved. The most encouraging aspect of present-day developments was the public's dislike of inflation and the more general realization of the importance of monetary stability as a basis for sustained growth. After years of inflation it was generally impossible to attain stability without a period of strain or even of austerity. Foreign assistance could mitigate those difficulties but could not eliminate them. In varying degrees, therefore, all countries had to accept some inconveniences to gain the advantages of a good currency, and in the midst of conflicting interests it was often difficult to decide what policy to follow. Very serious thought was being given to those questions, and it was impressive to see the courage and determination with which the banks and other monetary authorities of all countries devoted themselves to their difficult tasks, as also the change in public opinion which had made it possible for many countries to pursue effective credit and fiscal policies.

19. Mr. ENCKELL (Finland) said that the most significant facts of the past year had been the decision to increase the Fund's resources and the introduction of external convertibility for the currencies of most of the countries of western Europe. The very important position the Fund had already occupied in the world exchange system had thus been strengthened, and the Fund was now better placed to furnish effective aid to member States.

20. Substantial efforts had been made during the last few years to bring about the external convertibility of the western European currencies. The Fund was to be congratulated on having contributed so greatly to the attainment of that objective. Not only had it helped to bring about the elimination of many restrictions on foreign exchange and the adoption of sound financial policies, but it had succeeded in increasing confidence in the stability of the European monetary situation.

21. Even before the return to convertibility, the Fund had been making increasing use in its operations of currencies other than the United States dollar. Convertibility would in future offer even greater possibilities for the effective use of the increased resources which the Fund would possess.

22. Finally, the Finnish delegation welcomed the fact that, for the first time since 1955-1956, the last financial year had witnessed a smaller volume of drawings than of repayments, and that a number of member States which had called on the Fund's resources in order to solve temporary difficulties had decided to redeem their indebtedness well before the stipulated date.

23. Mr. PÉREZ LÓPEZ (Mexico) said that in 1958 a few countries had sustained a drop in production. An upward trend had, however, become apparent in the second half of the year, and the industrialized countries, especially in western Europe, had substantially increased their gold and dollar reserves; inflationary pressure had greatly diminished and the terms of trade had turned in favour of those countries as a result of the lowering of the price of raw materials, which has made a return to the external convertibility of currency possible in some cases. In the under-developed countries, however,

reserves had fallen, since the prices of exports had dropped while those of imports had remained at their previous level or had risen. Those trends jeopardized the sound economic development of those countries, for the rate of capital formation still depended largely on the demand for raw materials on the export markets. The domestic and external aspects of that problem were indeed closely linked: the problems created by a lack of diversification of production were aggravated by the instability of foreign markets.

24. It was not easy to find a solution to the problem of the international prices of raw materials, for their fluctuations depended on many and complex factors, principally on the oscillations in external demand occasioned by changes in the economic activity of the industrialized countries. Moreover, the economic stability of those countries was not in itself sufficient to stabilize the demand for raw materials, the flow of foreign exchange into the primary production countries being sometimes threatened by small variations in the demand for finished products or stocks in the industrialized countries. The measures which the under-developed countries could take were very limited. To subsidize the producers of raw materials for export might rapidly bring on inflation, while the accumulation of reserves during a period of high prices was beset by tremendous practical difficulties in countries where economic development was absolutely imperative. Thus the solution did not depend on those countries alone; it could only be the result of international co-operation.

25. The difficulties encountered by the under-developed countries increased when they resorted to inflationary financing of investments. Besides its adverse effects on the structure of investments, production and distribution, inflation discouraged voluntary savings, placed an undue burden on persons with fixed incomes and exerted strong pressures on the balance of payments. There was, in fact, a close link between the domestic price level and the balance of payments: when prices rose, production intended for export had a tendency to slow down, imports of consumer goods increased, national production of replacement equipment diminished, foreign capital was reluctant to invest, and so forth. As a deficit in the balance of payments, in its turn, caused a drain on monetary reserves, the country was forced to resort to devaluation, which was generally insufficient to bring about a lasting balance between domestic and foreign prices. It was thus necessary to take simultaneous measures to stabilize domestic prices. If those measures proved effective, the rate of exchange remained stable, internal economic activity kept its pace and there was no need to reduce imports or to impose exchange control. By contrast, the maintenance of an over-valued currency had often brought about a drop in exports, curbed the importation of capital goods, discouraged the influx of foreign capital and sometimes even provoked the flight of domestic capital. From a short-term point of view, economic stability depended on the monetary and fiscal policy, because a sounder balance between demand structure and productive capacity required the re-distribution of resources, which implied long-term action.

26. A country's pace of development was always dependent on the volume of its resources; and an inflationary policy resulted in the poor utilization of those resources rather than in their growth, thus retarding progress instead of speeding it. In constantly stressing those principles the Fund had played an extremely important part, and the technical assistance which ith ad furnished in order to propagate them constituted one of its least spectacular but most valuable contributions.

27. As the Managing Director of the Fund had said, countries with adverse balances of payments should help to restore the balance of international payments by correcting the imbalances in their own economy. On the other hand, some factors over which the countries concerned had no control made the problem of stable development very difficult to solve. In particular, the abrupt fluctuations in the prices of raw materials had rendered the internal balance of the under-developed countries extremely precarious. It was true that the task of correcting the imbalances in the world economy had not thus far been equally distributed between the industrialized countries and the under-developed countries, and the restrictions imposed on demand in the advanced countries had made deflation in the countries with adverse balances a more serious problem. The industrial countries thus had the duty to ensure that domestic production and demand remained high, so that imports could be maintained at an adequate level as a means of contributing to the expansion of world trade. They should also limit restrictions on imports from the under-developed countries, cease to protect certain groups of domestic producers, and intensify the flow of capital towards countries in the course of development.

28. The Mexican delegation welcomed the great activity of the Fund during the period considered in the report. Stand-by arrangements had proved an excellent means of giving confidence to countries which were endeavouring to maintain a sound currency; Mexico had obtained on that basis an appropriation of $90 million, which, added to funds acquired from other sources, had enabled it to increase its reserves. Mexico welcomed the fact that financial assistance from the Fund had been also used to support stabilization programmes, and that demand for currencies other than the dollar had increased.

29. The development of the world economy, the rise in prices and the increased volume of international trade since the end of the Second World War had reduced the true value of the Fund's resources. It was therefore essential for the Fund to increase its resources in order to have the necessary second-line reserves to give confidence to countries endeavouring to maintain or regain their balance.

30. The under-developed countries were well aware that their development depended essentially on their own resources and on their own decisions in matters of economic policy. They were asking no favours, but merely wished to see nations enter into a form of co-operation which would promote the balanced economic development of the entire world. By helping to attain that objective the International Monetary Fund was making a most valuable contribution.

31. Mr. SCHURMANN (Netherlands) said that the period under review had been one of great activity for the Fund. That was because countries could have recourse to its resources for a variety of reasons. Some might apply to the Fund in order to cope with balance-of-payments difficulties of a seasonal or cyclical character which they could not overcome by the use of their own foreign exchange reserves. Others might do so because of an excess of total national expenditure over available resources, which caused pressure on the balance of payments, while yet others might call on the Fund when withdrawals by foreign depositors became particularly heavy.

32. That variety of conditions, which the Fund was able to remedy in a flexible and prompt manner, was what made it truly universal. It was useful to developed and under-developed countries alike. The Netherlands, for one, had more than once had occasion to ask for the Fund's assistance. It had been able to liquidate its indebtedness completely, but in view of its part in international trade and in world financial transactions it was likely to request Fund assistance again in the future. It was thus in the interests of all that the role and position of the Fund should be strengthened.

33. That being so, the Netherlands delegation welcomed the decision to augment the Fund's capital by $5.1 thousand million, through a general increase in quotas. That decision had been prompted, not by the often assumed lack of international liquidity, a point adequately dealt with by the Fund in its study, *International Reserves and Liquidity*, but by the need to provide the requisite money in times of boom as well as in times of depression. That need had already been stressed by the Managing Director of the Fund on another occasion. Moreover, the fact that the volume of world trade had increased by 90 per cent since 1947 would in itself fully justify that increase in the Fund's capital, which had originally been established on the basis of pre-war conditions.

34. The return to greater convertibility in many countries had been another important event. The re-establishment of external convertibility in western Europe in December 1958, which could not but be beneficial to world trade and finance, had been facilitated by the presence of reserves deposited in the Fund. It had also made it possible for the European Monetary Agreement to enter into force.

35. As world dollar reserves had increased, it had been concluded in certain quarters that the dollar shortage had disappeared. That view seemed over-simple, for it was largely the industrialized countries which had benefited by the improvement. Nevertheless, the new state of affairs should be viewed with satisfaction. It was to be hoped that a favourable climate for international trade and investment would lead to a substantial improvement in the balance of payments of all countries and make the dollar shortage a thing of the past. The Fund would inevitably play an increasingly important role in that development.

36. Mr. CAMPABADAL PACHECO (Costa Rica) said that the current economic position of Costa Rica was one of complete stability. The rate of exchange of the colón on the official market had not varied since 1937, and on the free market since 1952. During the past year foreign exchange earnings had been adequate to meet the country's needs. Thanks to the confidence in its currency, Costa Rica had been able to carry out programmes directed towards economic development and improvement in living conditions. Nevertheless, unless the decline in coffee prices was checked, the Costa Rican economy would be seriously jeopardized. He drew the attention of the members of the Council to the urgent need for taking the necessary steps to correct a state of affairs which was likely to have the most serious consequences not only for Costa Rica but also for all other countries in a similar situation.

37. In conclusion, he expressed his country's gratitude for the help and advice it had received from the Fund. It was to be hoped that the Fund's activities would continue to yield excellent results everywhere.

38. Mr. Zahiruddin AHMED (Pakistan) said that the operations of the Fund during the past year had been most satisfactory. The Fund had gained nine additional members, with a resultant extension of its sphere of action and influence. The volume of its transactions had risen to $666 million : twenty-one countries had purchased foreign exchange from the Fund or had concluded stand-by agreements with it. That activity was not necessarily the sign of a particularly healthy financial situation in the world, but it proved the value of the Fund as a stabilizing factor in the world economy. By means of continuing consultations, the Fund had taught its member countries to subject their exchange and currency practices to constant review and to have a better understanding of the need for applying sound long-term policies.

39. Nevertheless, there were still certain unfavourable trends in the world economy, the most important of which was the decline in commodity prices. That decline had been accompanied by a gradual rise in the price of manufactured goods, with the result that the terms of trade had evolved rapidly to the detriment of the under-developed countries. A comparison of the data for 1949 and 1958 showed that Pakistan, for example, now had to export nearly twice the amount of raw materials in order to import the same amount of manufactured products.

40. The Pakistani delegation had noted with satisfaction that the Fund, while recognizing that it was the concern of both the primary producing countries and the industrialized countries to find a solution to the important problem of raw material prices, admitted that the industrialized countries, by reason of their stronger economies, were in a better position to contribute to the overcoming of the difficulties.

41. The most important event of the year was unquestionably the Fund's decision to increase its resources. If the various member countries agreed to their new quotas, the capital of the Fund would be greatly increased. Without in any way disputing the psychological importance of the new reservoir of international resources as an element of stabilization, as emphasized by the

Managing Director of the Fund, the Pakistani delegation hoped that the Fund would put its new resources to work and would not remain content with holding them in reserve. They could be used to great advantage in combating the harmful effects exerted on the economies of the under-developed countries by the deterioration in the terms of trade and by fluctuations in prices of raw materials. His delegation was convinced that the Fund would not fail to give serious consideration to that possibility.

42. Mr. Mohamed AHMED (Sudan) welcomed the progress of the Fund in the achievement of its objectives. Although it was true that some of the difficulties which had given rise to the establishment of the Fund still existed, it had to be admitted that many others had disappeared, thanks to the unceasing efforts of the Fund.

43. The aftermath of the Suez Canal affair was making itself felt still in the world. Tension continued to exist, for a variety of reasons, such as the deterioration in the terms of trade, speculative movements against certain currencies, cyclical fluctuations in economic activity, restrictions on trade, exchange control and persistent inflationary pressures. As the interests of countries were often divergent and national policies in conflict, action by the Fund should lead to far better results than if each State unilaterally adopted the measures which it deemed appropriate for correcting the particular situation with which it was confronted.

44. The scope of the Fund's operations during the past financial year was not in itself a proof of that institution's usefulness. The important factors were the geographical distribution of its assistance and the purposes for which it was granted. The Sudanese delegation was fully satisfied with the information given by the report in that connexion.

45. Another important aspect of the Fund's activity was the indirect aid which it provided to member States in the form of technical advice and consultations on monetary and fiscal policies. Such aid not only enabled them to cope with the problems of any given moment but also to avoid difficulties similar to those they had previously encountered.

46. The Fund was concerned about the restrictive exchange policies adopted by certain countries, and had invited the Governments of those countries to take corrective steps as rapidly as possible. He requested the Fund to exercise patience with the under-developed countries in that respect. Their pressing circumstances sometimes imposed upon them the use of temporary restrictive measures which they would undoubtedly abandon as soon as circumstances allowed. The Fund had already done much to simplify extremely complicated systems. It had to be borne in mind, however, that the ultimate objective was the complete elimination of exchange restrictions, the unification of exchange rates, and the return to a multilateral system of international payments in which all currencies would be fully convertible.

47. Another question with which the Fund should deal was that of national monetary policies. By definition, such problems were matters for the Governments concerned to decide, but when they had repercussions abroad — as in the case where a State manipulated its interest rates for the purpose of attracting foreign capital — they were no longer a purely internal matter and became of international concern.

48. It was not his intention to criticize the Fund, whose action was taken only at the request of its members, and depended largely on their attitude. It was therefore incumbent on the States concerned to strengthen their economies in order to facilitate the task of the Fund.

49. Mr. DUDLEY (United Kingdom) said that the Managing Director of the Fund had been right to stress the necessity of monetary stability both to the economic development of the less developed countries and to the expansion of more highly developed economies. Inflation might offer certain short-term attractions, but there was no doubt as to its long-term dangers. The Managing Director had also been right in saying that if proper restraint in costs and prices was achieved, there would be an increase in the gross national product and, as a result, an increase in the standard of living. That was also the view of the United Kingdom Government, which had applied that doctrine in the currency crisis of 1957, with the result that the pound sterling was now in a position of strength. He emphasized the great importance of the assistance which the Fund had lent on that occasion. A total of thirty-seven out of sixty-eight member States had been aided by the Fund, in every case to the advantage of world monetary stability.

50. It was true that a policy of stability had certain inconveniences, and required some domestic sacrifices. For instance, the United Kingdom had experienced austerity and was not yet again using its industrial capacity to its full extent. Nevertheless, although unemployment had increased, it had never since the Second World War exceeded 3 per cent of the total labour force, and at the present time it was just over 2 per cent and dropping. The United Kingdom had accepted those temporary drawbacks in order to maintain its international obligations, and it was now expanding its economy in a controlled manner to avoid the harmful evil of inflation.

51. The United Kingdom Government had always been fully in favour of an increase in the resources of the Fund, and had already taken the necessary legislative action to enable it to take up its new quota. It was to be hoped that the other States would soon do the same. Those increased resources were necessary to enable the Fund to continue its vital work without having to gamble on the very narrow margin available to it until now. The world could not continue to rely on the outflow of dollars from the United States to see it through all future troubles.

The meeting rose at 1 p.m.

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