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1966 Annual Meetings

The opening session of the 1966 Annual Meetings of the Boards of Governors of the Fund and the World Bank Group was held on September 26 at the Sheraton-Park Hotel in Washington, D. C. Meetings concluded on September 30.

THE Annual Meetings of the International Monetary Fund and of the World Bank and its affiliates, the International Development Association (IDA) and the International Finance Corporation (IFC) were held in September in Washington.

THE discussions on international liquidity at the Fund Meeting reflected the fact that, in the period following the previous Annual Meeting, there had developed a growing convergence of views on a number of points of substance. Most important, countries had agreed that the distribution of any newly created international reserves should be to all Fund members, and several plans for reserve creation, including two alternative proposals by the Managing Director of the Fund, had been initially discussed. Mr. Schweitzer suggested in his opening address to the Annual Meeting that "there are no technical reasons why concentrated work could not provide Governors with fully developed suggestions for arrangements for reserve creation in time for next year's Annual Meeting." Accordingly, the discussion concentrated mainly on the procedural aspects of the next stage of the liquidity talks, and on the links between the liquidity question and the balance of payments adjustment process, the need for development financing, and the problem of inflation.

THE slowdown in development assistance together with the heavy inroads of debt service obligations on the resources available to the developing countries were cited as disappointments of the hopes raised by the goals of the Development Decade. The difficulties experienced by the industrialized countries were recognized but the hope was expressed that these would prove short-term constraints on the resumption of justifiable increases in the flow of development funds.

THE widespread shortage of capital and rising interest rates were described as posing problems for the Bank's own borrowings as well as for the developing countries, and Mr. George D. Woods, the President, stressed the allied problem of the urgent need for a substantial replenishment of the resources available to IDA.

THE articles by Alexander G.C. Mountford and Martin Shivnan in this issue reflect the wide range of contributions by Governors to these discussions. Fuller details of the speeches will be published in the *Summary Proceedings* of the Fund and of the Bank at a later date.

The Fund Meeting

Alexander G.C. Mountford

In their discussions on international liquidity the Governors were virtually unanimous in recognizing that all countries, developed and developing alike, had a legitimate interest in the creation of reserves, and that any additional created reserves should be distributed among all Fund members. The consensus on this subject was expressed by Mr. Sachindra Chaudhuri, the Governor for India, when he noted that "it is generally realized that in any scheme of deliberate reserve creation, the needs and interests of all members of the international community must be recognized."

There was not the same degree of agreement about the urgency of creating additional liquidity. Most Governors agreed that even though there was no immediate shortage it would be a wise precaution to prepare a contingency plan for the future creation of additional reserves; the Governors for many developing countries believed that there might already be a shortage. Mr. Takeo Fukuda, the Governor for Japan, thought that it would be "a matter of great regret if the absence of a clear picture about the future concerning international liquidity should produce unnecessary lack of confidence and anxiety with regard to the present international monetary system and lead various countries to timid management of their economic policies, and to drifting toward protectionism and restrictions." Mr. H.R. Lake, the Governor for New Zealand, stressed that "the less developed countries live under a constant fear that a shortage of international liquidity will inhibit the expansion of markets for their exports. It is important that this fear be removed as soon as possible." The Governor for the Syrian Arab Republic, Mr. Ahmad Mourad, considered that although there was no shortage of international reserves for the world as a whole, such a shortage already existed in the less developed countries.

A small number of Governors, particularly the Governor of the Bank for France, Mr. Michel Debré, felt not only that there was no need for additional reserves but that there was, on the contrary, at present an actual surplus of liquidity. Relatively few Governors spoke at any length on the form in which new reserves should be created, although some expressed a preference for a new monetary unit, rather than a drawing right. Mr. James Callaghan, the Governor for the United Kingdom, pointed out that although the two forms could be made virtually identical in practice, "to the ordinary man, a drawing right conveys a right to borrow, not a basic international asset to be held in a country's reserves," and Mr. John Lynch, the Governor for Ireland, noted that "an increase in owned reserves tends to give national authorities the feeling of security which they need to conduct their affairs without premature resort to restrictions." Mr. Emilio Colombo, the Governor for Italy, stressed that whichever