

ANNUAL REPORT  
1959



INTERNATIONAL MONETARY FUND  
WASHINGTON, D. C.

**ANNUAL REPORT**  
**1959**

*This page intentionally left blank*

# INTERNATIONAL MONETARY FUND

*ANNUAL REPORT* OF THE  
EXECUTIVE DIRECTORS FOR THE  
FISCAL YEAR ENDED APRIL 30, 1959

WASHINGTON, D.C.

*This page intentionally left blank*

## CONTENTS

|  |    |
|--|----|
| Letter of Transmittal . . . . .  | xi |
| I. The World Economy in 1958-59 . . . . .  | 1  |
| II. Activities and Policies of the Fund, 1958-59 . . . . .   | 13 |
| Fund Membership and Quotas . . . . .   | 13 |
| Increasing the Fund's Resources . . . . .  | 13 |
| Use of the Fund's Resources . . . . .  | 18 |
| Fund Transactions . . . . .  | 24 |
| Fund Charges . . . . .   | 28 |
| Computation of Monetary Reserves . . . . .   | 29 |
| The Fund and Exchange Restrictions . . . . .   | 29 |
| Cooperation with Other International Organizations . . . . .   | 31 |
| III. Developments in International Payments and Domestic<br>Finance: General Survey . . . . .            | 33 |
| Industrial Production, Employment, and Prices . . . . .  | 33 |
| Main Trends in World Trade . . . . .   | 37 |
| Prices and Export Receipts in the Primary Producing<br>Countries . . . . .                               | 42 |
| Balance of Payments Developments . . . . .   | 46 |
| Reserve Developments . . . . .   | 52 |
| Measures to Deal with Payments Disequilibrium . . . . .  | 56 |
| Domestic Financial Developments and Policies in In-<br>dustrial Countries . . . . .                      | 59 |
| Monetary Policies . . . . .  | 60 |
| Fiscal Policies . . . . .  | 66 |
| Domestic Financial Developments and Policies in the<br>Primary Producing Countries . . . . .             | 68 |
| IV. Domestic Financial Developments and External Pay-<br>ments in Selected Groups of Countries . . . . . | 75 |
| Manufacturing Countries . . . . .  | 75 |
| United States . . . . .  | 75 |
| United Kingdom . . . . .   | 83 |
| France . . . . .   | 88 |
| Federal Republic of Germany . . . . .  | 93 |
| Italy . . . . .  | 95 |
| Other European Countries . . . . .   | 96 |
| Japan . . . . .  | 98 |

|  |     |
|--|-----|
| Countries Exporting Tropical Foods, Oilseeds, and Vegetable Oils . . . . .           | 99  |
| Countries Exporting Livestock Products, Textile Fibers, Grain, and Tobacco . . . . . | 104 |
| Countries Exporting Metals, Rubber, and Petroleum . . . . .                          | 110 |
| Other Countries, Including Countries with Diversified Exports . . . . .              | 116 |
| V. Exchange Practices and Payments Arrangements . . . . .                            | 125 |
| External Convertibility . . . . .  | 125 |
| The European Payments Union and the European Monetary Agreement . . . . .            | 128 |
| Other General Developments in 1958-59 . . . . .                                      | 131 |
| Regional Economic Communities . . . . .  | 132 |
| Par Values and Exchange Rates . . . . .  | 134 |
| Other Changes in Exchange Practices . . . . .  | 140 |
| VI. Gold Production and Prices . . . . .   | 147 |
| Gold Production . . . . .  | 147 |
| Gold Reserves . . . . .  | 151 |
| Gold Markets and Gold Prices . . . . .   | 155 |
| Gold Transactions Service . . . . .  | 160 |
| VII. Fund Administration in 1958-59 . . . . .  | 162 |
| Training Program . . . . .   | 162 |
| Investment of Fund Assets . . . . .  | 163 |
| Information . . . . .  | 163 |
| Administration . . . . .   | 164 |

#### APPENDICES

|  |     |
|--|-----|
| I. Membership, Quotas, Governors, and Voting Power . . . . .           | 169 |
| II. Changes in Membership of Board of Governors . . . . .              | 173 |
| III. Executive Directors and Voting Power . . . . .                    | 178 |
| IV. Changes in Membership of Executive Board . . . . .                 | 180 |
| V. Enlargement of Fund Resources Through Increases in Quotas . . . . . | 185 |
| VI. Special Increases in Quotas . . . . .                              | 189 |
| VII. Summary of Fund Transactions . . . . .                            | 190 |

|   |     |
|---|-----|
| VIII. Decision on Charges for Transactions and Stand-By Arrangements .....  | 191 |
| IX. Administrative Budget and Comparative Statement of Income .....   | 194 |
| X. Balance Sheet, Statement of Income and Expenditure, Statement of Reserves, and Supporting Schedules, and Financial Statements of Staff Retirement Fund | 197 |
| XI. Schedule of Par Values.....   | 223 |
| Index .....   | 231 |



*This page intentionally left blank*

# INTERNATIONAL MONETARY FUND

**Per Jacobsson**

**Managing Director and Chairman of the Executive Board**

**H. Merle Cochran**

**Deputy Managing Director**

## **Executive Directors**

**Frank A. Southard, Jr.**  
**The Earl of Cromer**  
**Beue Tann**  
**Jean de Largentaye**  
**B. N. Adarkar**  
**Louis Rasminsky**  
**Ahmed Zaki Saad**  
**André van Campenhout**  
**Pieter Lieftinck**  
**Carlo Gragnani**  
**Octavio Paranaguá**  
**Felipe Herrera**  
**Takeshi Watanabe**  
**B. B. Callaghan**  
**Rodrigo Gómez**  
**Eero Asp**  
**Wilfried Guth**  
**Soemarno**

## **Alternate Executive Directors**

**John S. Hooker**  
**G. J. MacGillivray**  
**Ching-Yao Hsieh**  
**André Feuché**  
**I. G. Patel**  
**C. L. Read**  
**Albert Mansour**  
**Maurice Toussaint**  
**H. M. H. A. van der Valk**  
**Costa P. Caranicas**  
**Gabriel Costa Carvalho**  
**Jorge Marshall**  
**Tun Thin**  
**Brian Emmott Fleming**  
**Jorge Hazera**  
**Thorhallur Asgeirsson**  
**Wilhelm Hanemann**  
**Vacant**

## **Directors of Departments and Offices**

|                           |   |
|---------------------------|---|
| <b>D. S. Savkar</b>       | <b>Director, Asian Department</b>                       |
| <b>Gabriel Ferras</b>     | <b>Director, European Department</b>                    |
| <b>Irving S. Friedman</b> | <b>Director, Exchange Restrictions<br/>Department</b>   |
| <b>James Fawcett</b>      | <b>General Counsel</b>                                  |
| <b>Anwar Ali</b>          | <b>Director, Middle Eastern Department</b>              |
| <b>J. J. Polak</b>        | <b>Director, Research and Statistics<br/>Department</b> |
| <b>Jorge Del Canto</b>    | <b>Director, Western Hemisphere<br/>Department</b>      |
| <b>Phillip Thorson</b>    | <b>Director, Office of Administration</b>               |
| <b>Roman L. Horne</b>     | <b>Secretary</b>  |
| <b>Y. C. Koo</b>          | <b>Treasurer</b>  |
| <b>J. V. Mládek</b>       | <b>Director, European Office (Paris)</b>                |

*This page intentionally left blank*

LETTER OF TRANSMITTAL  
TO THE BOARD OF GOVERNORS

July 9, 1959

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, 1959.

Yours sincerely,

/s/

PER JACOBSSON

*Chairman of the Executive Board*

Chairman of the Board of Governors  
International Monetary Fund

*This page intentionally left blank*

# I

## The World Economy in 1958-59

**T**HE year that ended on April 30, 1959 stands out not only because of the marked changes which occurred in general business activity and in the international flow of funds, but also because important steps were taken to consolidate the monetary improvements achieved since the war and to strengthen the financial structure of the world economy. Outstanding events were the sharp upswing of industrial production in the United States, together with indications of renewed expansion in other industrial countries; the increase of more than \$3.5 billion in the gold and foreign exchange reserves of Western European countries; the adoption in December 1958 of external convertibility by 14 European countries and the complementary steps taken by 15 other countries to adjust their exchange controls to the new conditions thus established; and the proposal made at New Delhi in October 1958, and the agreements subsequently reached, to expand the financial resources of the Fund and the Bank.

On the other hand, the experience of many of the primary producing countries was much less satisfactory. The decline in the prices of many primary products, which had begun in 1956, continued into 1958; and there was a reduction in the earning capacity of most of these countries, which created further difficulties in their payments positions and acted as a brake upon their economic development. They have had to deal with some difficult problems over the year; it is the more to their credit that so many of them have taken steps to withstand inflationary pressures, and in some

cases to introduce and carry out comprehensive stabilization programs. There has been a growing recognition of the importance of orderly monetary conditions, and of the distortions of economic activity and the dissipation of resources which occur when such conditions are absent. As the expansion of activity is resumed in the industrial countries, and world trade expands, the less developed countries may expect substantial gains from their continued efforts toward stabilization and development.

The significance of the events of the past year is most evident when viewed against the background of the fears that were widely entertained early in 1958. The recession in the United States was still deepening, and raw material prices continued to decline. In the other industrial countries, output had slowed down as the boom lost its momentum and determined efforts had been made to eradicate inflationary tendencies. Evidence that the decline in economic activity in the United States had been arrested and reversed by mid-1958 was, therefore, noted with great relief, as were also the indications of some expansion in other industrial countries after the earlier adjustments had been made. Moreover, balance of payments developments in the United States during the recession and the subsequent recovery were such as to assist many other countries. While U.S. exports declined, partly because of the disappearance of the exceptional demands of late 1956 and early 1957, U.S. imports and investments abroad were well maintained. The result was that most other industrial countries, far from experiencing payments difficulties, were able to add substantially to their reserves.

Like its two predecessors, the third postwar recession was of short duration. Modern industrial countries appear to have developed strong powers of resistance to the downward thrust of the business cycle. The effects of certain "built-in stabilizers" help to ensure that consumer disposable income will be well maintained, even when business inventories and outlay on plant and equipment undergo substantial reductions. In the postwar period, moreover, there has been a strong urge toward systematic innovation based upon the allocation of substantial resources to research, which, by

ensuring a rate of fixed investment less vulnerable to temporary setbacks, has reduced the severity of recessions and given strength to the recovery and expansion periods of the cycle. These longer run factors were supplemented by the authorities with appropriate policies in successive phases of the business cycle. Thus, once inflation had abated, monetary policies in a number of countries shifted from a position of credit restraint to one of ease and greater liquidity, in order to mitigate the decline and to encourage recovery. The lowering of interest rates and the increase of liquidity in the United States and Germany not only induced expansion at home and an increased volume of imports from the rest of the world, but also encouraged the flow of capital abroad—all of which was helpful in facilitating adjustments elsewhere. In the United States, the downward movement of interest rates was reversed in mid-1958, as business recovery got under way; in Germany, the downward trend persisted through the early part of 1959. Government expenditure increased in various directions in many countries, although large-scale public works programs played little part in fiscal policy. Since revenue tended to decline, deficits appeared, which under the circumstances of the recession helped to sustain economic activity.

Recovery in the United States was assisted by a large increase in liquidity. During 1958, the banking system as a whole increased its domestic assets by about \$17 billion. This increase in domestic assets was associated with increases in the money supply and time deposits of \$13 billion, or about 7 per cent, with an outflow of gold and increases in official dollar balances of \$3 billion, and with a rise in the banks' capital accounts. But unlike the pattern of many recessions in the past, prices and costs did not decline. For an effective stimulus to recovery, therefore, greater reliance was placed on the creation of liquidity.

The decision taken by 14 Western European countries at the turn of the year to establish nonresident convertibility was perhaps the most notable step since the end of World War II toward the establishment of a truly multilateral system of payments, in accordance with the objectives of the Fund, and it was warmly wel-



comed by the Fund. This decision was the result of a remarkable cooperative effort. While it may be regarded as the culmination of the developments that occurred during 1958, it became possible in fact only because of the steady strengthening of the European economies that had taken place in the preceding years.

This strengthening was the result of a variety of factors. Aid from the United States was of great importance in the early years, helping in the task of reconstruction. Then, with production expanding, cautious credit and fiscal policies became increasingly effective in eliminating the overstrain in European economies. By and large, these countries had, by 1958, rid themselves of inflationary pressures which had endangered their currency positions throughout much of the postwar period; in most of them, the relation between money supply and gross national product, for instance, had been brought back to more normal proportions. Increased economic and financial strength was also shown by improved payments positions and the accumulation of reserves, which was particularly rapid in 1958. In the years 1956-58, financial assistance from the Fund had been an important factor in helping to overcome emergencies and strained positions, and the steps to enlarge the Fund's resources, which were initiated at its Annual Meeting in New Delhi in October 1958, gave increased confidence that the Fund would continue to be able to reinforce reserves.

The exchange rates quoted in the free markets for the "transferable" currencies of certain Western European countries had for some time before the decision to establish nonresident convertibility differed from parity by only a slight margin. However, this did not mean that the decision was no more than the formal recognition of an already existing situation. It had in fact a much deeper significance. It meant, in the first place, the unification of exchange markets, with proper cross rates naturally emerging from arbitrage operations, and the disappearance, at least for current payments, of the often disturbing element of separate quotations for "transferable" and other types of these currencies. Another consequence of the adoption of nonresident converti-

bility was the termination of the European Payments Union, which had provided for settlements at par rates between central banks and made available to its members a system of automatic financing—25 per cent of monthly net balances had been settled by credits to and from the Union. The elimination of central bank financing from current settlements could safely be undertaken, not only because of the improvement in reserves and in balance of payments positions, but also because there could be greater confidence than in earlier postwar years in the effective working of the international banking system. The ordinary channels of financing are supported by the possibility of obtaining ad hoc credits from the European Fund set up under the European Monetary Agreement, which had been worked out in 1955 to replace the European Payments Union, and, of course, also by the possibility of using the resources of the International Monetary Fund.

Nonresident convertibility was not limited to countries in Europe; 15 other countries, most of which are closely related as members of a monetary area to one or another of the European countries, also adjusted their exchange controls to the new conditions. But other countries also benefited, for they are now able more freely to use their holdings of the currencies which were made convertible for nonresidents. By far the largest part of world trade is now carried on in convertible currencies, so that exporting countries are in general free to use the proceeds from their exports anywhere in the world. This development is also of both psychological and technical importance for countries applying multiple rate practices, and an increased willingness to discard such practices in favor of unitary rates can already be seen.

Finally, while nonresident convertibility by itself does not necessarily produce a reduction of trade restrictions, it has important repercussions upon trade relations. Now that the proceeds of exports can, as a rule, be transferred freely into other currencies, the road has been opened to the elimination of discrimination in trade and payments practiced on balance of payments grounds. That improvement in reserves and in balance of payments positions which made possible the move to nonresident convertibility itself

also facilitated a greater freedom of trade. It was, therefore, natural that the move should be associated in some countries with a further liberalization of trade, and it is to be expected that countries will be able to make further progress along these lines. The Fund intends to continue its study of the remaining restrictions—and especially the remaining discriminatory restrictions—and in the meantime, it is urging its members to eliminate discrimination as rapidly as is feasible.

Exchange developments in Western Europe in the first half of 1959 were distinctly favorable, thus providing further confirmation of the fact that these countries have on the whole attained a balanced position internally and increased strength in relation to other countries and continents. This gain in strength is the more remarkable since it has occurred at a time of continuing international political tensions, which fortunately have had little effect on economic activity or on the movements of funds.

If inflation does not at present pose the acute problem for the industrial countries that it did some years ago, this is due primarily to determined action on the part of the authorities to keep it in check. The comparative stability of the price level of finished goods in most industrial countries during the past year, however, has been due to some extent to the fall in prices of imported raw materials, and the threat of inflation has by no means passed. As it becomes clear that the recession has been overcome, increasing care will have to be taken to maintain by appropriate policies internal stability and the external value of the currency. The need for positive policies is all the greater because in many countries there is still a lingering expectation of inflation, nourished by years of rising prices and their failure to fall during the recession in North America. Such a situation may well require a clear demonstration by the authorities that no further inflation will be allowed.

In analyzing recent world balance of payments developments, account must also still be taken of the part played by U.S. Government payments abroad, which in 1958 amounted to \$5.8 billion. However, the acceptance of convertibility by a large part of

the trading world provides clear evidence of a conspicuous change in the unique position occupied by the U.S. dollar since the end of World War II. Underlying this change were tendencies toward the development of competitive world markets for both goods and capital. Part of the recent improvement in the balances of payments of industrial countries in Europe and of Japan, compared especially with the U.S. position, was associated with the return to more normal competitive conditions in the world markets for manufactures. The advantage which U.S. exporters and, to a much smaller extent, U.K. and Belgian exporters enjoyed in these markets in the early postwar years has been gradually eliminated by the recovery of productive capacity and efficiency in other industrial countries. For some years these tendencies had not produced their full effect, as insistent domestic demand pressing against still limited capacity kept export supplies down; but as boom pressures were eased, a setting was created in which the full competitive capacity was increasingly realized. This new competitive position was reflected both in a large increase in U.S. imports from the other industrial countries and in some reduction in the share of the United States in world exports of manufactures. Despite these changes, however, this share was still somewhat greater in 1958 than it had been in prewar years.

With the reconstruction of their economies virtually completed, industrial countries can play a more active role in providing capital, both private and official, for the development of the less industrialized countries. The improvements which led to non-resident convertibility have set the stage for a gradual increase in the freedom of capital to move across national boundaries, and the rise in interest rates in the United States since the middle of 1958, contrasted with the decline in rates in Europe, has increased the relative attractiveness of European money and capital markets to foreign borrowers.

The significance of Western Europe for the world economy is further indicated by the fact that its imports of raw materials and foodstuffs from the less developed countries are nearly twice those of the United States. Business fluctuations in Europe thus have an

autonomous influence on the earning capacity of the primary producing countries, and this influence has been felt increasingly in recent years.

In these circumstances, close attention is being paid to the development of the European Economic Community, the first practical measures of which came into force on January 1, 1959. In this association, six Fund members in Europe (Belgium, France, Germany, Italy, Luxembourg, and the Netherlands) have begun the gradual abolition of the trade barriers between themselves and the coordination of their financial, fiscal, and social policies, with a view to achieving a higher level of output and welfare in each of the six countries. When the first reductions of trade barriers between these countries became effective from the beginning of 1959, arrangements were also made whereby some part of the benefit of the reductions was extended to other participants in the General Agreement on Tariffs and Trade. Discussions are taking place about further similar arrangements in the future, but the solutions that may be found cannot yet be foreseen. The treaty establishing the Community contains provisions for financial cooperation between the six countries, and the monetary framework for this cooperation was set when the six members established non-resident convertibility just before the Community began to operate.

Increased general confidence has resulted from the fact that the recession in the United States has, as on two previous occasions in the postwar period, been overcome quickly, and with limited untoward effects upon the rest of the world. The virtually irrevocable character of the movement toward convertibility of the various European and other currencies and the strengthening of reserves—of primary reserves in Europe, and of secondary reserves everywhere as a result of the expected enlargement of the resources of the Fund—have set the stage for a further steady expansion of multilateral world trade.

Notwithstanding these encouraging developments, careful attention has to be given to the other, far less satisfactory, aspects of the world economy presented by the general situation of the primary producing countries. From 1954 to 1958, the terms of

trade of these countries taken as a group have deteriorated every year, the decline for the entire period being of the order of 12 per cent. The decline in the prices of primary products has been more than a cyclical development. In any single year, the interplay of short-run factors affecting either supply or demand, such as business conditions in the United States or Europe, the trading policies of countries in the Soviet bloc, weather conditions, plant diseases, strikes, etc., tend to produce divergent movements in the prices of primary products. But over the last decade as a whole, the prices of many raw materials and foodstuffs have been affected by a gradual but substantial increase in their supply, while demand has been weakened by the increased use of synthetic substitutes and by technical changes that have gradually reduced the raw material content of some finished products. As a consequence, while the renewed expansion of world industrial production has benefited the prices of some primary products, it has not led to any appreciable general increase.

These broad commodity price developments have had an unfavorable effect upon the setting in which the less developed countries have to plan their economic development, and they have increased the difficulties both of achieving a satisfactory rate of growth and of dealing with inflationary pressures. The less developed countries do not indeed have to face their problems unaided, for funds from abroad have been made available—and are likely to continue to be available, especially where stable monetary conditions have created an environment that is favorable both to domestic capital formation and to the inflow of foreign capital. In the circumstances of today, the importance of such financial support has become even greater than before. Satisfactory domestic policies can be more confidently applied when supported by an adequate inflow of international capital.

Even with long-term loans and grants from abroad, the adjustment of economic and financial policy to the magnitude of the foreign exchange receipts that is realistically to be expected presents serious difficulties for many of the less developed countries. For some of them their problems are aggravated by mounting

charges for the service of short-term and medium-term indebtedness contracted in recent years. The enlargement of resources and their effective use necessitate many difficult decisions in relation not only to development policies, but also especially to fiscal and monetary questions. If these decisions are evaded, inflation will take its course, and will not only distort the allocation of resources, but before very long is likely also to reduce the amounts available for productive investment. The experience of the last decade has brought most governments to the conviction that continued inflation is not conducive to sustained development, and that only by making the hard choices before them can they steer their countries through the present difficulties in the expectation of reaching a more satisfactory situation in the future.

In dealing with these questions, a considerable number of the less developed countries have sought close cooperation with the Fund. Further discussion of this question will be found in the last section of Chapter III. The Fund has provided technical assistance to some of them; it has also made its resources available to ease the immediate impact of the adjustments that have to be made. At the same time, the adoption of measures leading to a sound monetary situation makes it easier for the countries concerned to arrange for long-term funds for economic development.

Indeed, the more developed countries can be helpful to the less developed countries in a number of ways, and it is, moreover, directly in their own interest to do so. By maintaining a high level of domestic activity, they can exercise a favorable influence on the export earnings of these countries. They can further affect these earnings by the manner in which they order their policies with regard to their own primary producers. In this respect, industrial countries have often shown an unfortunate tendency to give far greater weight to the interests of small groups of domestic producers than to the interests either of the large body of primary producers abroad or of consumers at home. Restrictions on imports of primary products by the more developed countries, or exports of surplus stocks without proper safeguards, have unfavorable effects on the export earnings of countries elsewhere that are

heavily dependent on the sale of the commodities in question. In addition to paying greater attention to the impact of their trade policies on other countries, the developed countries, as already indicated, can assist, and have assisted, the less developed countries by making available official capital and by stimulating the flow of private capital, insofar as this flow depends on them rather than on the policies of the countries in need of investment funds from abroad. The short- and medium-term capital that has been available to some countries does not provide an adequate foundation for economic development, and during the past year several interesting initiatives have been taken to increase the flow of official capital on a more assured basis.

The improvement in the reserve positions of many industrial countries is reflected in the Fund's financial activities during the past year; repurchases—some of them earlier than was required—were twice as large as drawings. However, the total of drawings, \$263.5 million, was substantial; and the total amount outstanding on April 30, 1959 under stand-by arrangements, newly concluded or renewed, was \$1,132.8 million. Most of the drawings were made by less developed countries. The volume of transactions in 1958-59 was smaller than in the two preceding years, when the total was dominated by a few large transactions which gave valuable support to several currencies, and in particular to sterling, the French franc, the guilder, the yen, and the Indian rupee. While there were no comparable critical conditions in this last year to cause such large demands on the Fund's resources, there were 20 countries to which the Fund sold currencies or with which stand-by arrangements were made or renewed.

At the end of April 1959, the Fund held \$2.5 billion in gold and U.S. dollars, but of this only \$1.4 billion was uncommitted, compared with uncommitted funds of \$3.5 billion at the end of September 1956—before the recent active period began. To ensure that the Fund would be in a position to meet the demands which might properly be made upon it, action was initiated at the Annual Meeting in New Delhi for a substantial increase in the Fund's resources. As explained later in this Report, the initiative



taken in New Delhi seems likely to lead to that result. The governments have almost unanimously approved the Executive Directors' Report, *Enlargement of Fund Resources*, and a number of them have already informed the Fund of their consent to the proposed increases in their quotas and have made the additional payments to the Fund.

The significance of this increase in the Fund's resources is not to be measured only by the extent to which these new resources are drawn upon. A stand-by arrangement that is not followed by use of the Fund's resources is as important as a stand-by under which a drawing has been made; and in the same way, the increase in the Fund's resources may still have great importance, even if for some time to come drawings on the Fund do not reach substantial amounts. The essential objective is, above all, the creation of a feeling of confidence among Fund members that, even if the reserves directly under their control are considered not adequate to meet every eventuality, they can safely make their decisions with respect to the freedom of payments and trade without having to pay undue regard to such temporary balance of payments difficulties as may from time to time occur.

## II

# Activities and Policies of the Fund, 1958-59

### Fund Membership and Quotas

**D**URING the past fiscal year two countries became members of the Fund, Spain on September 15, 1958, with a quota of \$100 million, and Libya on September 17, 1958, with a quota of \$5 million. With the merging of Egypt and Syria into a single state, the United Arab Republic has become a single member of the Fund with one quota. The total membership of the Fund is now 68.

The quota of the Philippines was increased on January 30, 1959, from \$15 million to \$50 million. The aggregate quotas of Fund members thus became \$9,228 million.

The members of the Fund, their quotas, voting power, Governors, and Alternate Governors as of April 30, 1959 are listed in Appendix I, and changes in membership of the Board of Governors in Appendix II. The Executive Directors and Alternate Executive Directors of the Fund and their voting power are shown in Appendix III, and changes in the membership of the Executive Board in Appendix IV.

### Increasing the Fund's Resources

At the Thirteenth Annual Meeting of the Board of Governors of the Fund in New Delhi in October 1958, it was resolved "That the

Executive Directors promptly consider the question of enlarging the resources of the Fund through increases in quotas and that, if, having regard to views expressed by Governors and considering all other aspects of the matter, they find that action to carry out such increases would be desirable, they submit an appropriate proposal to the Board of Governors for action either at a meeting of the Board or by vote without a meeting, as the Executive Directors may determine.” After thoroughly examining the question, the Executive Directors submitted a Report to the Board of Governors on December 22, 1958. The Report stated, in the first place, that the need for an increase in the Fund’s resources arose from the tasks which, under its Articles of Agreement, it has to perform in an expanding world economy. Experience had shown that financial assistance by the Fund tends to be concentrated in periods marked by exceptional strains in the world’s monetary system. Major economic and financial pressures would often affect several countries more or less at the same time, so that the calls on the Fund’s resources might be of substantial proportions in a relatively short period. The experience of the Fund in recent years had shown that it must remain prepared for diverse contingencies, many of which cannot be clearly defined in advance. At the end of November 1958, the Fund’s holdings of gold and U.S. dollars amounted to \$2.3 billion. If commitments under stand-by arrangements, totaling \$0.8 billion, are deducted, the balance of gold and U.S. dollars was \$1.5 billion, compared with \$3.5 billion at the end of September 1956. The fact that in the light of past experience the Fund’s resources at the time of the Report could not be considered adequate to meet sudden calls upon them was given added force by the need of the Fund always to maintain enough liquid resources to give its members confidence that in the Fund they have a second line of reserves. The hope was expressed that a way might be found so that the currencies of the main industrial countries other than the United States could be drawn from the Fund, even though these currencies are not fully convertible for Fund purposes; but it was also stressed that the Fund must be prepared to meet situations in which its holdings of gold and con-

vertible currencies would be of decisive importance. Account had to be taken of the fact that in the last decade the volume of world trade had nearly doubled, and that the rise in dollar prices since 1944 had correspondingly reduced the real value of the Fund's resources. Moreover, the expansion of trade and the greater freedom of international payments, including capital movements, may intensify the effects of any sudden change in confidence in a major currency. The Fund's members must be assured that it is adequately equipped to take the strains of crisis and adversity. The Executive Directors accordingly concluded that it was highly desirable to enlarge the Fund's resources through increases in quotas, and recommended a general increase of 50 per cent in members' quotas as a reasonable basis for action by the Board of Governors.

In view of the position in world trade of Canada, the Federal Republic of Germany, and Japan, and their recent relative economic growth, increases beyond 50 per cent in the quotas of these countries were also recommended as appropriate and highly desirable, particularly as such increases would enlarge the Fund's holdings of currencies likely to be drawn by other members. For Canada, the recommended increase would raise its quota to \$550 million, for the Federal Republic of Germany, to \$787.5 million, and for Japan, to \$500 million. A general 50 per cent increase, together with these three special increases, would increase the resources of the Fund by the equivalent of \$5.1 billion, including gold payments of nearly \$1.3 billion. The Fund's holdings of gold and U.S. dollars would be doubled from \$2.3 billion to \$4.6 billion, and its holdings of gold and of the six currencies so far drawn from the Fund would be increased by 75 per cent, from \$4.7 billion to \$8.2 billion.

At the same time the Board of Executive Directors recommended additional quota increases for a number of members with small quotas for which it had been indicated at the time of the second quinquennial review of quotas in January 1956 that requests for increases in quotas would be sympathetically considered. Since that time it has been the practice of the Executive Directors

to recommend, and of the Board of Governors to agree to, increases in accordance with the following formula:

- Quotas below \$5 million could be raised to \$7.5 million;
- Quotas of \$5 million and above but below \$10 million could be raised to \$10 million;
- Quotas of \$10 million and above but below \$15 million could be raised to \$15 million;
- Quotas of \$15 million and above but below \$20 million could be raised to \$20 million.

As reported in recent Annual Reports, the quotas of 8 members have already been increased in terms of this formula. In addition, a special increase, which is reported above, was granted to the Philippines. The Executive Directors recommended in December 1958 that each of the 24 other countries with quotas less than \$20 million should be given the opportunity

- (i) to increase its present quota by 50 per cent, or
- (ii) to accept a quota equal to the amount available under the small quota formula increased by 50 per cent, or
- (iii) to accept a quota of such amount between (i) and (ii) as it might choose.

The members to which this recommendation applies are Afghanistan, Bolivia, Burma, Ceylon, Costa Rica, Ethiopia, Ghana, Guatemala, Iceland, Iraq, Jordan, Korea, Lebanon, Libya, Luxembourg, Panama, Saudi Arabia, the Sudan, Thailand, Tunisia, the United Arab Republic (in respect of the Syrian Region), Uruguay, Venezuela, and Viet-Nam.

The Executive Directors recommended that in all cases the additional subscriptions of members consenting to an increase of quota should be paid as to 25 per cent in gold and the balance in the member's currency. Before the quota increase can become effective, payment of both portions of the additional subscription must be made, even by those members which have not yet been

required to pay their original subscriptions. However, since the prompt payment in gold of 25 per cent of the quota increase might cause hardship in some countries, special facilities for payment were provided in these cases. The Executive Directors stated further that the policies and practices governing the use of the Fund's resources, which had successfully stood the test of practical application, should not be changed as a consequence of the increases in quotas recommended by them.

The plan for increasing the Fund's resources was closely related to the plan undertaken at the same time for increasing the authorized capital of the International Bank for Reconstruction and Development. Any member consenting to an increase in its Fund quota was expected to request a corresponding increase in its subscription to the capital of the Bank, and the general increase in each institution was made contingent upon the increase in the other.

The Resolutions submitted to the Board of Governors in order to make these recommended quota increases effective are reproduced in Appendix V. For their adoption affirmative votes were required from Governors representing members having at least 80 per cent of the present quotas in the Fund. When voting was completed on February 2, 1959, affirmative votes had been received from Governors representing countries with more than 99 per cent of the present quotas. It then remained for each member country to complete the procedures necessary to accept the increase in quota offered to it and to make the required payments to the Fund. None of the increases becomes effective unless the Fund determines that members having not less than 75 per cent of the total of quotas on January 31, 1959 have consented to increases, and members have been requested to notify the Fund of their consent by September 15, 1959. At the time of writing this Annual Report, members with 47.3 per cent of the present quotas in the Fund had informed the Fund of their consent to the recommended quota increases, and many other members had initiated the legislation necessary to enable their Governments to take a similar step.

While the Report on a general increase of Fund quotas was under consideration by the Executive Directors, the Fund also received requests from 14 members for quota increases that exceeded the recommended increases described above. These requests, from Argentina, Brazil, Ceylon, Cuba, Denmark, Ghana, Iran, Israel, Mexico, Norway, Saudi Arabia, Thailand, Turkey, and Venezuela, were subsequently further considered by the Executive Directors, who on February 24, 1959 adopted a Report and Resolution for submission to the Board of Governors which recommended additional increases for these members. The Resolution, upon which the Governors were invited to vote not later than April 6, 1959, is reproduced in Appendix VI. Affirmative votes were cast for all of these recommended increases by Governors representing members having more than 96 per cent of the present quotas in the Fund. The members concerned are also required to notify the Fund of their consent to the proposed increases not later than September 15, 1959.

### Use of the Fund's Resources

During the financial year from May 1, 1958 to April 30, 1959, total repurchases, equivalent to \$537.3 million, substantially exceeded total purchases from the Fund, equivalent to \$263.5 million (Table 1). Whereas record sales of currency by the Fund had been reported in the preceding two years, 1958-59 was a record year for repurchases, the number of members repurchasing being greater than in any previous year and the amount repurchased being almost double the repurchases in any previous year. These repurchases occurred, on the one hand, because the reserve positions of several members, particularly some of the industrial countries, improved, and, on the other hand, because repayments to which some members had committed themselves either at the time of their purchases from the Fund or at a later date became due. Repurchases were effected by 5 members in Europe, 5 in

TABLE I. SUMMARY OF FUND TRANSACTIONS, FISCAL YEARS ENDED  
APRIL 30, 1948-59

(In U.S. dollars)

|       | Total Purchases by<br>Members | Total Stand-By<br>Arrangements in Force<br>at End of Fiscal Year | Total Repurchases<br>by Members |
|-------|-------------------------------|--|---------------------------------|
| 1948  | 606,045,000.00                | —  | —                               |
| 1949  | 119,438,380.91                | —  | —                               |
| 1950  | 51,800,000.00                 | —  | 24,207,652.46                   |
| 1951  | 28,000,000.00                 | —  | 19,093,244.36                   |
| 1952  | 46,250,000.00                 | —  | 36,578,805.97                   |
| 1953  | 66,125,000.00                 | 55,000,000   | 184,958,162.26                  |
| 1954  | 231,290,000.00                | 112,500,000  | 145,106,208.24                  |
| 1955  | 48,750,000.00                 | 112,500,000  | 276,275,398.29                  |
| 1956  | 38,750,000.00                 | 97,500,000   | 271,661,333.80                  |
| 1957  | 1,114,047,648.76              | 1,212,280,000  | 75,038,810.14                   |
| 1958  | 665,731,620.70                | 1,500,030,000  | 86,806,219.72                   |
| 1959  | 263,517,042.67                | 1,257,130,000  | 537,319,879.89                  |
| Total | 3,279,744,693.04              |  | 1,657,045,715.13                |

Latin America, 3 in the Far East, and 1 in the Middle East. Belgium, Denmark, Israel, Japan, the Netherlands, and Nicaragua made repurchases in full and thereby reduced the Fund's holdings of each of their currencies to 75 per cent of quota, and the United Kingdom made a substantial partial repurchase.

The improvements in reserve position which led to extensive repurchases from the Fund were also sufficient in Western Europe to permit the important steps for the establishment of external convertibility to be taken without any new calls being made on the Fund's resources. Accordingly there was a considerable shift in the directions in which the Fund made its resources available. The total amount of currency purchased by Fund members during the last fiscal year was the fourth highest since the Fund began its operations. But while the amount involved in these purchases or in stand-by arrangements entered into or renewed was 24 per cent less than in the previous year, the number of members concerned in these activities fell short of last year's total by only one. Of these members 13 were in Latin America, 3 in Europe, 2 in the Far East, and 2 in Africa. Only one of the members purchasing exchange from the Fund during the year is an industrial country, nearly all the Fund's transactions being with countries whose exchange receipts come almost entirely from the export of primary products.



With the exception of the purchases by Cuba, the Philippines, the Sudan, and Turkey, all the purchases during the past fiscal year were under stand-by arrangements which had been made in either the current or the preceding year. The number, 14, of these arrangements entered into or renewed was greater than in any previous financial year of the Fund. The increasing use of stand-by facilities may be taken as proof that members have found them a useful instrument when they are considering the form of financial assistance that will be most effective in helping them overcome temporary balance of payments difficulties. Three members, El Salvador, Pakistan, and the United Kingdom, have been content to arrange an assured line of credit with the Fund which has not, in fact, been utilized to purchase foreign exchange. Other members have made purchases in support of intentions and programs that they have outlined to the Fund. Three stand-by arrangements expired during the past year without having been utilized fully or at all, and were not renewed since the members' reserve positions had improved so far that this type of assistance was no longer required.

The support that the Fund has been able to give to comprehensive stabilization programs through the financial resources made available to members has again been of particular interest. As in previous years, additional financing was procured by some members from other sources, such as commercial banks and government agencies, mainly in the United States. In such interrelated financial operations, account can be taken of the diversity of purposes for which external financing is appropriate and for which, therefore, financial assistance may properly be drawn from several sources. At the same time each agency or institution concerned with the operation will form its own judgment, in the light of its own principles, of the adequacy of the stabilization program that the country proposes to adopt. Argentina, Turkey, Mexico, and Chile are among the countries that have negotiated "parallel arrangements" of this kind during the past year.

Argentina's stand-by of \$75 million was arranged in December 1958 in support of a program that included exchange, fiscal, and

credit reforms. At the same time, an exchange agreement for \$50 million was made with the U.S. Treasury; balance of payments loans of \$78.5 million were procured from the Export-Import Bank of Washington and U.S. commercial banks; and development loans of \$125 million were granted by the Export-Import Bank and the U.S. Development Loan Fund.

No stand-by arrangement was made with Turkey, but it purchased US\$12.5 million and the equivalent of \$12.5 million in deutsche mark from the Fund in support of a program of far-reaching fiscal, credit, and exchange measures presented simultaneously to the Fund, the Organization for European Economic Cooperation (OEEC), and the U.S. Government. The OEEC countries and the European Payments Union furnished credits equivalent to \$100 million and U.S. agencies another \$234 million, and negotiations for the postponement of certain debts resulted in an agreement for their repayment over a period of twelve years.

The Fund's support in the form of a six-month stand-by for \$90 million was requested by Mexico when it adopted budgetary and credit measures to strengthen confidence in its currency. At the same time Mexico reaffirmed its determination to maintain the stability and convertibility of the Mexican peso. The resources made available by the Fund were augmented by a credit of \$100 million from the Export-Import Bank; at the time of the stand-by Mexico also had available reserves amounting to \$360 million and a stabilization credit of \$75 million from the U.S. Treasury.

When the Fund agreed to a renewal of its stand-by arrangement with Chile, the balance available was increased by \$2.5 million, to \$8.1 million, in support of new policy measures adopted in order to terminate inflation in Chile. This program was also supported by loans of \$28.9 million to be administered by the Export-Import Bank and \$53 million from U.S. commercial banks granted in May 1959. In addition, the U.S. Treasury increased the amount in its exchange agreement with Chile from \$10 million to \$15 million. The Export-Import Bank also stated that it was preparing to complete studies involving prospective credits of about \$25 million to private companies in Chile.

In order to meet the need for funds for the implementation of their stabilization programs and for the maintenance of convertible currencies free of restrictions, twelve-month stand-by arrangements with the Fund were entered into by Haiti for \$5 million and by Honduras for \$4.5 million. In Honduras the seasonal decline in international reserves was an additional justification for support by the Fund. When Nicaragua was faced with the probability that the seasonal decline in its reserves would be aggravated by lower prices for coffee and by considerable difficulty in marketing its cotton crop, the Fund agreed to a six-month stand-by arrangement for \$7.5 million.

The Fund's policy and practice in respect of the use of its resources, which have been described in recent Annual Reports, have remained unaltered. Members are given the overwhelming benefit of the doubt in relation to requests for transactions within the "gold tranche," i.e., the portion of the quota which can be regarded as equivalent to the gold subscription. The Fund's attitude to requests for transactions within the first credit tranche, that is, transactions that bring the Fund's holdings of a member's currency above 100 per cent but not above 125 per cent of quota, is a liberal one, provided that the member itself is also making reasonable efforts to solve its problems. Requests for transactions beyond these limits require substantial justification. They are likely to be favorably received when the drawings or stand-bys are intended to support a sound program aimed at establishing or maintaining the enduring stability of the member's currency at a realistic rate of exchange. In accordance with all the principles outlined above, the Fund has in appropriate cases continued to receive from members seeking to purchase exchange or to enter into stand-by arrangements declarations of intent as to the policies that would be followed.

The principles underlying the Executive Board's decision of February 13, 1952, as set forth in the Annual Report for 1952, are now well understood and supported by members of the Fund. According to these principles, exchange is purchased from the

Fund to meet temporary balance of payments difficulties, and the purchase should not remain outstanding beyond a period reasonably related to the payments problem in respect of which it has been made. The period involved should normally fall within an outside range of three to five years. Thus the revolving character of the Fund's resources would be assured, and they would not become frozen. One half of the members that have made repurchases have in fact done so within three years of the drawing.

As a result of repurchases the Fund's holdings of U.S. dollars, the currency which hitherto has been most in demand, were increased by \$254.7 million in the financial year ended April 30, 1959. In 1957 they had been replenished by sales of gold amounting to \$600 million. The Fund's holdings of gold were increased by repurchases and other payments in the financial year under review by the equivalent of \$114.5 million. On April 30, 1959 the Fund held gold and U.S. dollars equivalent to \$2,502.8 million. However, commitments under stand-by arrangements, which had amounted to \$884.3 million at the end of April 1958, had increased by the end of April 1959 to \$1,132.8 million, so that during the year the Fund's liquidity position improved only slightly. Some of the unutilized drawing rights under stand-by arrangements may not be exercised by members, and some members may draw in other currencies. Furthermore, a substantial volume of repurchases will mature in the remaining months of 1959 and in 1960. However, the most important factor determining the Fund's long-term liquidity position is the proposed increase of the Fund's resources, which is described earlier in this chapter. If consent is given to all the quota increases recommended in December 1958 and February 1959, the total resources of the Fund will be increased by \$5.8 billion (including additional gold payments of \$1.44 billion), to the equivalent of \$15 billion. The substantial addition to the Fund's liquid resources which this increase makes possible and the flow of repurchases will together greatly strengthen the second line of reserves available to members faced with temporary balance of payments difficulties.

## Fund Transactions

The Fund's operations in the year ended April 30, 1959 are presented in summary form in Table 2 (purchases of currency), Table 3 (stand-by arrangements), and Table 4 (repurchases of currency).

The currencies sold by the Fund during the past year include not only U.S. dollars but also deutsche mark and sterling. Of the 32 exchange transactions during the year, drawings under stand-by arrangements number 28 and account for 76 per cent of the total currency sold. The Fund made extensive use of the power conferred by Article V, Section 4, to waive the limitation of a member's drawings to 25 per cent of its quota in any twelve-month period and thus to permit drawings beyond this amount. All exchange transactions during the year involved the granting of a waiver except the purchase by the Philippines and the stand-bys of Chile and Pakistan. Since the first waiver was granted in August 1953, only 18 requests for Fund drawings have not required the use of a waiver.

Of the stand-by arrangements entered into or renewed during the past fiscal year, 3 were for a period of six months, 1 was for a period of nine months, and 9 were for a full year.

TABLE 2. PURCHASES OF CURRENCY FROM THE FUND, FISCAL YEAR ENDED APRIL 30, 1959

| Member                | Sterling              | Deutsche Mark         | U.S. Dollars            | Total Equivalent in U.S. Dollars |
|-----------------------|-----------------------|-----------------------|-------------------------|----------------------------------|
| Argentina             |                       |                       | \$18,500,000            | \$18,500,000                     |
| Bolivia               |                       |                       | 1,000,000               | 1,000,000                        |
| Brazil                |                       |                       | 54,750,000              | 54,750,000                       |
| Chile                 |                       |                       | 4,400,000               | 4,400,000                        |
| Cuba                  |                       |                       | 25,000,000              | 25,000,000                       |
| France                |                       | DM 126,000,000        | 36,250,000              | 66,250,000                       |
| Haiti                 |                       |                       | 2,792,000               | 2,792,000                        |
| Honduras              |                       |                       | 1,250,000               | 1,250,000                        |
| Mexico                |                       |                       | 22,500,000              | 22,500,000                       |
| Nicaragua             |                       |                       | 1,875,042.67            | 1,875,042.67                     |
| Paraguay              |                       |                       | 750,000                 | 750,000                          |
| Peru                  |                       |                       | 14,500,000              | 14,500,000                       |
| Philippines           |                       |                       | 8,750,000               | 8,750,000                        |
| Sudan                 | £1,785,714-5-9        |                       | —                       | 5,000,000                        |
| Turkey                |                       | 52,500,000            | 12,500,000              | 25,000,000                       |
| Union of South Africa | 4,000,000             |                       |                         | 11,200,000                       |
| <b>Total</b>          | <b>£5,785,714-5-9</b> | <b>DM 178,500,000</b> | <b>\$204,817,042.67</b> | <b>\$263,517,042.67</b>          |

TABLE 3. FUND STAND-BY ARRANGEMENTS WITH MEMBERS,  
FISCAL YEAR ENDED APRIL 30, 1959

(In millions of U.S. dollars)

| Member                | Date of Inception | Date of Expiration | Amount   | Amount Available April 30, 1959 |
|-----------------------|-------------------|--------------------|----------|---------------------------------|
| Argentina             | Dec. 19, 1958     | Dec. 18, 1959      | 75.00    | 56.50                           |
| Bolivia               | Dec. 29, 1957     | Feb. 28, 1959      | 3.50     | —                               |
| Brazil                | June 3, 1958      | June 2, 1959       | 37.50    | —                               |
| Chile                 | April 1, 1958     | March 31, 1959     | 10.00    | —                               |
|                       | April 1, 1959     | Dec. 31, 1959      | 8.10     | 8.10                            |
| Colombia              | June 19, 1957     | June 18, 1958      | 25.00    | —                               |
|                       | June 19, 1958     | June 18, 1959      | 15.00    | 20.00                           |
| El Salvador           | Oct. 1, 1958      | March 31, 1959     | 7.50     | —                               |
| France                | Jan. 31, 1958     | Jan. 30, 1959      | 131.25   | —                               |
| Haiti                 | July 14, 1958     | July 13, 1959      | 5.00     | 2.21                            |
| Honduras              | Nov. 12, 1957     | May 11, 1958       | 3.75     | —                               |
|                       | Jan. 29, 1959     | Jan. 28, 1960      | 4.50     | 3.25                            |
| Mexico                | March 5, 1959     | Sept. 4, 1959      | 90.00    | 67.50                           |
| Nicaragua             | Sept. 15, 1958    | March 14, 1959     | 7.50     | —                               |
| Pakistan              | Dec. 8, 1958      | Dec. 7, 1959       | 25.00    | 25.00                           |
| Paraguay              | July 30, 1957     | July 29, 1958      | 5.50     | —                               |
|                       | July 30, 1958     | July 29, 1959      | 1.50     | 1.25                            |
| Peru                  | Feb. 10, 1958     | Feb. 28, 1959      | 25.00    | —                               |
|                       | March 1, 1959     | Feb. 29, 1960      | 13.00    | 10.50                           |
| Union of South Africa | April 8, 1958     | April 7, 1959      | 25.00    | —                               |
| United Kingdom        | Dec. 22, 1957     | Dec. 21, 1959      | 738.53   | 938.53 <sup>1</sup>             |
| Total                 |                   |                    | 1,257.13 | 1,132.84                        |

<sup>1</sup> The amount of \$738.53 million originally available to the United Kingdom under its stand-by arrangement was increased by a repurchase of \$200 million during 1959, since stand-by arrangements in force at that time permitted drawing rights to be augmented by any repurchase.

Since the beginning of its operations, i.e., from March 1, 1947 until April 30, 1959, the Fund's resources have been used by 37 members. Drawings have been made by 15 members in Latin America, 9 in Continental Europe, 5 in the Middle East, 5 in the Far East, and 5 in the sterling area. The total amount of the Fund's exchange transactions is equivalent to US\$3,279.7 million.

A summary of all Fund transactions for the period March 1, 1947 to April 30, 1959 is given in Table 5, with further details added in Appendix VII. Of the currencies purchased from the Fund the greatest demand has been for U.S. dollars, 91 per cent of the total sales of exchange having been made in this currency. There have also been sales of sterling, Belgian francs, deutsche mark, Canadian dollars, and Netherlands guilders.

During the entire period of the Fund's activities, 31 members that had drawn on the Fund repurchased their currencies from the Fund with gold and convertible currencies to the equivalent of \$1,512.9 million. When sales of currencies of members that had

previously drawn from the Fund and the settlement payments by Czechoslovakia after its withdrawal are taken into account, the amount of outstanding purchases on April 30, 1959 is equivalent to \$1,538 million. The periods during which the amounts drawn were outstanding on April 30, 1959 are as follows:

|                     | Amount<br>in millions of<br>U.S. dollars | Number of<br>members<br>involved |
|---------------------|--|----------------------------------|
| 12 months or less   | 261.64                                   | 15                               |
| 13 to 18 months     | 141.40                                   | 6                                |
| 19 to 24 months     | 255.33                                   | 7                                |
| 25 to 30 months     | 729.47                                   | 8                                |
| 31 to 36 months     | 86.18                                    | 4                                |
| 37 to 48 months     | 24.50                                    | 2                                |
| 49 to 60 months     | 15.00                                    | 1                                |
| More than 60 months | 24.40                                    | 3                                |

All purchases by present members made prior to May 1953 have been fully reversed. Of the 32 members which paid less than 25 per cent of their original subscription in gold, 16 have repurchased a total of \$140.5 million in excess of any previous transactions they may have had with the Fund; their repurchases have

TABLE 4. REPURCHASES OF CURRENCY FROM THE FUND,  
FISCAL YEAR ENDED APRIL 30, 1959

(In U.S. dollars)

| Member         | U.S. Dollars               | Gold                 | Total                      |
|----------------|----------------------------|----------------------|----------------------------|
| Belgium        |                            | 49,975,817.98        | 49,975,817.98              |
| Brazil         | 17,250,000.00              |                      | 17,250,000.00              |
| Burma          | 3,000,000.00               |                      | 3,000,000.00               |
| Colombia       | 5,000,000.00               |                      | 5,000,000.00               |
| Cuba           | 24,999,980.40              |                      | 24,999,980.40              |
| Denmark        | 30,202,868.49              | 2,281,948.87         | 32,484,817.36              |
| Honduras       | 3,738,313.30               | 11,335.10            | 3,749,648.40               |
| Israel         | 3,696,085.79               | 53,843.36            | 3,749,929.15               |
| Japan          | 124,995,706.18             |                      | 124,995,706.18             |
| Netherlands    | 44,118,272.77 <sup>1</sup> | 19,620,700.63        | 63,738,973.40 <sup>1</sup> |
| Nicaragua      | 1,875,007.02               |                      | 1,875,007.02               |
| Philippines    | 2,500,000.00               |                      | 2,500,000.00               |
| Turkey         | 4,000,000.00               |                      | 4,000,000.00 <sup>2</sup>  |
| United Kingdom | 200,000,000.00             |                      | 200,000,000.00             |
| <b>Total</b>   | <b>465,376,233.95</b>      | <b>71,943,645.94</b> | <b>537,319,879.89</b>      |

<sup>1</sup> Netherlands repurchases include Can\$5,864.71 paid at Bank of Canada, which is equivalent to US\$6,049.99 at the current rate of exchange (Can\$0.969375 per U.S. dollar).

<sup>2</sup> In addition, Turkey substituted gold for dollars in respect of previous repurchases in the amount of \$4,101,483.50.

had the effect of putting these members into a position comparable to that of members whose original gold subscriptions equaled 25 per cent of quota.

The Fund levies charges on its holdings of a member's currency in excess of its quota. Since the beginning of its operations, 35

TABLE 5. SUMMARY OF FUND TRANSACTIONS FROM THE BEGINNING OF OPERATIONS TO APRIL 30, 1959

(In millions of U.S. dollars)

| Member                       | Currencies Purchased by Fund | Currencies Sold by Fund | Repurchases by Members |
|------------------------------|------------------------------|-------------------------|------------------------|
| Argentina                    | 93.5                         |                         |                        |
| Australia                    | 50.0                         |                         | 50.0                   |
| Austria                      |                              |                         | 7.5                    |
| Belgium                      | 83.0                         | 11.4                    | 71.6                   |
| Bolivia                      | 8.5                          |                         |                        |
| Brazil                       | 260.7                        |                         | 148.2                  |
| Burma                        | 15.0                         |                         | 6.2                    |
| Canada                       |                              | 15.0                    |                        |
| Ceylon                       |                              |                         | 3.0                    |
| Chile                        | 63.0                         |                         | 25.0                   |
| Colombia                     | 40.0                         |                         | 10.0                   |
| Costa Rica                   | 1.2                          |                         | 2.1                    |
| Cuba                         | 72.5                         |                         | 47.5                   |
| Czechoslovakia               | 6.0                          |                         | 1                      |
| Denmark                      | 44.2                         |                         | 55.3                   |
| Ecuador                      | 5.0                          |                         | 5.0                    |
| El Salvador                  | 2.5                          |                         | 2.5                    |
| Ethiopia                     | 0.6                          |                         | 2.0                    |
| Finland                      | 9.5                          |                         | 18.2                   |
| France                       | 518.8                        |                         | 147.9                  |
| Germany, Federal Republic of |                              | 68.9                    | 45.1                   |
| Haiti                        | 3.8                          |                         |                        |
| Honduras                     | 7.5                          |                         | 6.2                    |
| India                        | 300.0                        |                         | 99.9                   |
| Indonesia                    | 70.0                         |                         | 27.0                   |
| Iran                         | 46.0                         |                         | 29.1                   |
| Iraq                         |                              |                         | 2.0                    |
| Israel                       | 3.8                          |                         | 3.8                    |
| Japan                        | 249.0                        |                         | 249.0                  |
| Lebanon                      |                              |                         | 0.9                    |
| Mexico                       | 67.5                         |                         | 44.9                   |
| Netherlands                  | 144.1                        | 5.0                     | 139.1                  |
| Nicaragua                    | 8.0                          |                         | 8.0                    |
| Norway                       | 9.6                          |                         | 9.6                    |
| Paraguay                     | 7.1                          |                         | 0.9                    |
| Peru                         | 14.5                         |                         | 3.1                    |
| Philippines                  | 23.8                         |                         | 2.5                    |
| Sudan                        | 5.0                          |                         |                        |
| Sweden                       |                              |                         | 8.0                    |
| Turkey                       | 73.5                         |                         | 35.0                   |
| Union of South Africa        | 46.2                         |                         | 10.0                   |
| United Arab Republic         |                              |                         |                        |
| Egypt                        | 33.0                         |                         | 8.5                    |
| Syria                        |                              |                         | 1.4                    |
| United Kingdom               | 861.5                        | 207.9                   | 312.0                  |
| United States                |                              | 2,971.6                 |                        |
| Yugoslavia                   | 31.9                         |                         | 9.0                    |
| <b>Total<sup>2</sup></b>     | <b>3 279.7</b>               | <b>3,279.7</b>          | <b>1,657.0</b>         |

<sup>1</sup> On the basis of the settlement with Czechoslovakia, an amount of \$4.3 million has been offset against the drawing of \$6 million, the remainder to be paid in installments not later than July 2, 1961.

<sup>2</sup> Totals may not equal sums of items because of rounding.



members have incurred such charges. Currently 21 members are paying charges on balances in excess of quota, the amount incurred during the year under review totaling \$23.8 million, compared with \$15.6 million during the previous year. Three members are at present paying part of the charges in their own currency in accordance with the provision of the Fund Agreement permitting such payment if a member's monetary reserves are less than half its quota.

Service charges on drawings, which amounted to \$3.3 million in the year ended April 30, 1958, totaled \$1.3 million in the past financial year.

### *Fund Charges*

The revised schedule of Fund charges which has been in effect since January 1, 1954 was extended by the Executive Board until April 30, 1960. At the last review of the schedule of charges, on April 27, 1959, it was decided that, when agreement is reached under the Fund's Rules for repurchase within three to five years after a drawing in accordance with the Executive Board's decision of February 13, 1952,<sup>1</sup> the rate charged by the Fund should not increase beyond 5 per cent per annum. Where an agreement permits the reduction of the Fund's holdings of a member's currency over a period longer than five years, the Fund may apply higher maximum rates. At the same time, it was provided that stand-by charges will be paid in advance for the period for which the stand-by arrangement is agreed. Under the earlier rule, a member drawing within the first six months of a twelve-month stand-by arrangement received credit for the stand-by charge only for the six-month period, that is, for  $\frac{1}{8}$  of 1 per cent paid in respect of the amount purchased. Under the new rule, full credit of  $\frac{1}{4}$  of 1 per cent will be given. Consistently with this decision a total of \$326,947.98 paid in stand-by charges by 7 members was refunded to them. The Executive Board's decision of April 27, 1959 is reproduced in Appendix VIII.

---

<sup>1</sup> *Annual Report, 1952, pages 87-90.*

### *Computation of Monetary Reserves*

Monetary reserves data as of April 30, 1958 have been received from 61 members. Five members have so far not submitted the reports required by the Fund Agreement; however, none of these members can have a repurchase obligation.

### The Fund and Exchange Restrictions

Most of the members of the Fund continue to maintain exchange restrictions under Article XIV of the Fund Agreement and are required annually to consult the Fund concerning such restrictions. In the year ended April 30, 1959, consultations were completed with 40 member countries. Fund staff members visited 39 of the member countries concerned; the other consultation was held at the Fund's headquarters in Washington.

As in the past, a large part of the activities of the Executive Board and the management and staff of the Fund in the year under review was related to these consultations, in which the Fund has continued to use the procedures of earlier years. Each consultation is treated as an individual matter, and the Fund takes account of the particular circumstances which face a member at the time of the consultation. This individual approach means that for different countries different aspects of the financial position may be emphasized, and while the broad principles to be applied do not vary, the details of the advice given by the Fund are necessarily not identical in all countries.

These annual consultations are one of the ways by which the Fund and its members collaborate to achieve the Fund's objectives. The periodic surveys of the restrictions that still remain and the Fund's reviews of the justification for their maintenance, together with the advice given by the Fund in connection with the consultations, have played a part in the progress made in recent years in the simplification of exchange systems and the reduction

of restrictions. The Article XIV consultations have also sometimes been associated with requests for stand-by arrangements or drawings from the Fund in support of general economic stabilization programs or other endeavors to protect the currencies of its members. During the last five years, many countries have simplified their exchange systems, and, in not a few, complicated systems involving elaborate exchange rate structures have completely disappeared. At present, multiple rate systems which may properly be described as complex are maintained by fewer than 10 members of the Fund. Similar progress has been made toward eliminating bilateral payments arrangements. Details of the more important changes made in the last year, as well as of the progress recorded in other directions—including the decisions to adopt external convertibility—are set forth elsewhere in this Report. The progress made provides a foundation upon which, in the coming year, the Fund will seek to establish even greater freedom of international payments and further simplification and stability in the exchange systems of its members.

In particular, the implications of the recent establishment of external convertibility by many members of the Fund require special attention. As this Report is written, the Fund is reviewing its general policies relating to the simplification of exchange systems, the reduction of exchange restrictions, and the elimination of discrimination, including the discrimination involved in bilateral payments arrangements. Some of the issues involved in this review have been examined in the *Tenth Annual Report on Exchange Restrictions*. Such a review is timely and necessary in the present situation where much the largest part of the trade of the world is conducted in currencies freely interchangeable at official exchange rates. As always, the Fund will, in applying its policies, take account of the necessity for dealing with the special problems with which individual member countries may be faced. It may be expected, however, that as a broad principle the Fund will, both in its periodic consultations and generally, request its members to take advantage of the newly created situation so that further real progress will be made toward those basic objectives.

## Cooperation with Other International Organizations

In addition to its special relationship with the International Bank for Reconstruction and Development, the Fund has maintained close contacts with the United Nations, the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade (GATT), the Organization for European Economic Cooperation (OEEC), and the Bank for International Settlements.

Closer coordination between the work of the OEEC and of the Fund in recent years has increased the effectiveness of both institutions. They have collaborated in the provision of financial assistance in connection with some of the "parallel arrangements" described above, first for France in January 1958 and later, during the fiscal year covered in this Report, for Turkey.

During the year under review, the CONTRACTING PARTIES to the GATT initiated the first of a series of annual and biennial consultations with countries on the maintenance of quantitative restrictions to protect the balance of payments. These consultations are required under the revised articles of the General Agreement which came into effect late in 1957. In accordance with the revised rules, a broad general review of outstanding quantitative restrictions was initiated in 1958, and the first annual consultations with 14 countries were scheduled for 1959. Biennial consultations with about 16 countries whose economies are at an early stage of development are scheduled to begin in 1960.

The Fund, on invitation from the CONTRACTING PARTIES, cooperated on a technical basis in the preparation of the survey of the restrictions that were being maintained, and it is also engaged in consultation with the CONTRACTING PARTIES in connection with their 1959 schedule of consultations with individual countries. Representatives of the Fund attend the meetings of the working parties assigned to carry out the review and consultations, and the Fund provides the CONTRACTING PARTIES with the results of its Article XIV consultations with the countries concerned, and with other relevant material.

The relation thus established between the Fund's periodic consultations and those conducted by the CONTRACTING PARTIES carries forward the collaboration which has always marked the work of these two bodies. The Fund welcomes these opportunities for collaboration, since the objectives of the two organizations, the freeing of trade transactions and the freeing of exchange transactions, are complementary.

Close liaison has been maintained with the United Nations and its various regional and technical bodies, through direct working relations with the staffs of these agencies, the preparation of studies and reports on subjects within the Fund's field of competence, and official participation in their meetings. Fund representatives have attended meetings of the General Assembly of the United Nations; of the Economic Commissions for Asia and the Far East, for Europe, for Latin America, and for Africa; and of the UN Administrative Committee on Coordination and its subsidiary bodies. The Managing Director of the Fund presented a report on the Fund's activities and on general monetary developments at the 27th Session of the UN Economic and Social Council in April 1959.

### III

## Developments in International Payments and Domestic Finance: General Survey

### Industrial Production, Employment, and Prices

**I**N 1958, for the first time since World War II, world industrial production (outside the centrally planned economies) was lower than in the previous year. From 1954 onward its annual rate of increase had diminished year by year. In 1958, however, world industrial output was less than in 1957 by about 2½ per cent.

During previous postwar recessions in the United States industrial production continued to rise in most other countries, and there was thus no decline in world production as a whole. In 1958, total industrial output dropped because recession in the United States was accompanied by slower growth or mild decline elsewhere.

Industrial production in the United States was 7 per cent lower in 1958 than in 1957; in the other industrial countries taken as a whole, it was slightly higher (Table 6). In Belgium, Canada, and Norway, output was lower than in 1957; in Denmark, Japan, the Netherlands, Sweden, and the United Kingdom, it was about the same; and in Austria, the Federal Republic of Germany, France, and Italy, it was higher, though in all these countries the increases were less than in previous years.

TABLE 6. INDUSTRIAL PRODUCTION, MANUFACTURING EMPLOYMENT, AND COST OF LIVING, SELECTED COUNTRIES, 1957, 1958, AND 1959

(Average percentage changes from corresponding period of previous year)

|                              | Industrial Production  |                |                      |                         | Manufacturing Employment |                 |                      |                         | Cost of Living |      |                      |                         |
|------------------------------|------------------------|----------------|----------------------|-------------------------|--------------------------|-----------------|----------------------|-------------------------|----------------|------|----------------------|-------------------------|
|                              | 1957                   | 1958           | 1958,<br>2nd<br>half | 1959,<br>1st<br>quarter | 1957                     | 1958            | 1958,<br>2nd<br>half | 1959,<br>1st<br>quarter | 1957           | 1958 | 1958,<br>2nd<br>half | 1959,<br>1st<br>quarter |
|                              | Australia <sup>1</sup> | ...            | ...                  | ...                     | ...                      | 1               | 1                    | 1                       | ...            | 5    | 2                    | 2                       |
| Austria                      | 6                      | 3              | 2                    | -2                      | -2                       | -2              | -2 <sup>2</sup>      | -2 <sup>2</sup>         | 4              | 2    | 1                    | 1                       |
| Belgium-Luxembourg           | —                      | -6             | -5                   | -5                      | 1 <sup>3</sup>           | -7 <sup>3</sup> | -8 <sup>3</sup>      | ...                     | 3              | 1    | —                    | 1                       |
| Canada                       | —                      | -2             | —                    | 6                       | —                        | -5              | -5                   | —                       | 4              | 2    | 2                    | 2                       |
| Denmark                      | 7                      | 1              | 3                    | 4                       | 2                        | —               | —                    | 3                       | 4              | 3    | 2                    | 3                       |
| France                       | 9                      | 4              | 2                    | -2                      | 3                        | 1               | -1                   | -4                      | 3              | 14   | 14                   | 7                       |
| Germany, Federal Republic of | 6                      | 3              | 4                    | 2                       | 3 <sup>3</sup>           | 2 <sup>3</sup>  | 4 <sup>3</sup>       | 8 <sup>3</sup>          | 2              | 3    | 2                    | —                       |
| Italy                        | 8                      | 2              | 3                    | 6                       | 1                        | -1 <sup>4</sup> | ...                  | ...                     | 1              | 3    | 2                    | —                       |
| Japan                        | 19 <sup>5</sup>        | 1 <sup>5</sup> | 3 <sup>5</sup>       | 16 <sup>5</sup>         | 12                       | 2               | 1                    | 2                       | 3              | 1    | 1                    | 3                       |
| Netherlands                  | 2                      | —              | 3                    | 5                       | —                        | -3              | -2                   | ...                     | 6              | 2    | -2                   | -2                      |
| Norway                       | 5                      | -3             | —                    | -2                      | 1 <sup>3</sup>           | -1 <sup>3</sup> | -1 <sup>3</sup>      | -3                      | 3              | 4    | 6                    | 5                       |
| Sweden                       | 3                      | 1              | —                    | -1                      | —                        | -2              | -4                   | -3                      | 4              | 5    | 4                    | 1                       |
| Switzerland <sup>1</sup>     | ...                    | ...            | ...                  | ...                     | 5                        | -3              | -4                   | -5                      | 2              | 2    | 1                    | 1                       |
| United Kingdom               | 2                      | -1             | -2                   | —                       | —                        | -2              | -1                   | -2                      | 3              | 3    | 2                    | 2                       |
| United States                | —                      | -7             | -2                   | 11                      | -1 <sup>2</sup>          | -8 <sup>2</sup> | -7 <sup>2</sup>      | 1 <sup>2</sup>          | 3              | 3    | 2                    | 1                       |

Sources: Based on data from International Monetary Fund, *International Financial Statistics*, and United Nations, *Monthly Bulletin of Statistics*.

<sup>1</sup> No index of industrial production is compiled in Australia or Switzerland.

<sup>2</sup> Industrial employment.

<sup>3</sup> Nonagricultural employment.

<sup>4</sup> Period ended November 1958.

<sup>5</sup> Manufacturing production.

In the United States both downswing and recovery were more marked than in most other industrial countries. In April 1958, industrial production in the United States was some 13 per cent below the prerecession peak; by May 1959, it had risen to 5 per cent above that peak. In most other industrial countries, with the partial exceptions of Belgium, Japan, and Canada, there was neither a marked downswing nor a pronounced upswing in economic activity in 1957-58. Toward the end of 1958, some countries, such as Japan, Italy, and Germany, showed signs of renewed expansion, but there was no such decisive upward trend as in the United States.

Developments in 1958 again suggest, as did the recession of 1953-54, that the level of activity in other industrial countries may not depend upon the ups and downs of business in the United States, provided that these are moderate. The approximate synchronization between recession in the United States and a reduced rate of growth or stagnation in other industrial countries was largely the result of the generation of boom conditions in both areas in earlier years. It is doubtful whether developments in the United States had any material—as distinct from psychological— influence upon developments in other industrial countries, since U.S. imports from those countries increased in both volume and value.

In most industrial countries the slowing down in activity first became evident in a reduction in the accumulation of inventories and in private fixed investment, particularly investment in plant and equipment. In the United States, the fall in exports was also a factor in the recession. In most other industrial countries exports remained fairly stable.

The decline in investment demand which characterized the recession or the temporary cessation of economic growth was due to the appearance of surplus capacity in many countries and hence to a reduction in the anticipated profitability of new investment as well as to a rise in the cost, and decline in the availability, of investible funds. The first factor was related to the considerable expansion in the stock of capital in the investment boom of 1955



and 1956 and to a tendency for the prices of capital goods to rise relative to other prices. The monetary stringency which was increasingly felt in 1956 and 1957 was in most countries the result of efforts by the authorities to check an excessive rise in prices which persisted for some time after the pressure of demand on resources had relaxed considerably. Prices of industrial products and services have probably always shown some degree of sluggishness in their response to the varying pressures of demand. There can be little doubt, however, that present practices in wage negotiations and in the pricing of many products have made the relationship between price movements and changes in demand looser than formerly—a fact which makes it more difficult for monetary authorities and governments to control price developments without unwanted repercussions on output.

The fairly rapid recovery in output in the United States from the low point in the second quarter of 1958, which was facilitated by the maintenance of consumer expenditures at a high level, was marked by a reduction in, and later a reversal of, inventory liquidation, by increased government expenditures, and by an upturn in private residential construction. These developments were stimulated by an increased budgetary deficit and by a temporary decline in interest rates. Up to the end of 1958 few other industrial countries had had much success in restoring a marked upward trend of production, though in most of them liquidity had increased and interest rates had fallen, and in some of them the budget was making an increasing contribution to the maintenance of demand. During the first few months of 1959, production continued to rise in the United States. Japan resumed a rapid rate of expansion. With increases in residential and public construction, and to some extent in exports, rather than in industrial investment, most European countries showed in varying degrees signs of renewed, though moderate, growth.

In the United States, both the fall in industrial employment during the recession and the rise during the recovery were less marked than the corresponding movements of industrial production. The increase in output per man in the upswing was more

marked than the decrease in the downswing. In May 1959 unemployment still exceeded the prerecession low of April 1957 by an amount equal to 1 per cent of the labor force.

In other industrial countries, employment in manufacturing in 1958 was lower than, or about the same as, in 1957. In the countries where industrial production rose most, employment also fell least, or, in some of them, actually increased (Table 6). The behavior of the two series was influenced in most countries by a tendency for production to vary more than employment and by a rising trend of output per man. In several countries there was a more than seasonal decline in unemployment in the first quarter of 1959.

In most industrial countries, the reduction in the degree of utilization of industrial capacity and of the labor force which took place from 1957 to 1958 did not result in any absolute decline in either prices or wages between the two years. While wholesale prices moved down a little, or remained fairly stable, the cost of living, wage rates, and even money wage costs per unit of manufacturing output were generally higher in 1958 than in 1957. Both the cost of living and wages generally rose more slowly during 1958 than during 1957, but even in 1958 they probably rose more or fell less in most countries than on previous occasions when demand conditions were similar.

## Main Trends in World Trade

The value of world exports in 1958 was 5 per cent less than in 1957 (Table 7). Rather more than half of this decline reflected a fall in prices. The volume of trade, which had been growing at the rate of 10 per cent, 8 per cent, and 6 per cent, respectively, over the three preceding years, fell from 1957 to 1958 by 2 per cent, i.e., by much the same proportion as world industrial production. Apart from seasonal variations, the volume of trade turned downward from the third quarter of 1957, rose again from the second to the fourth quarter of 1958, and declined to the first

TABLE 7. VALUE OF WORLD TRADE, 1956-58

|   | Value, f.o.b.<br>(billion U.S. dollars) |      |      | Percentage Change from<br>Preceding Year |      |      |
|---|---|------|------|--|------|------|
|   | 1956                                    | 1957 | 1958 | 1956                                     | 1957 | 1958 |
| World exports <sup>1</sup>                            | 92.1                                    | 99.4 | 94.3 | 10                                       | 8    | -5   |
| Exports of United States <sup>2</sup>                 | 17.3                                    | 19.5 | 16.3 | 21                                       | 12   | -16  |
| Exports of other manufacturing countries <sup>3</sup> | 38.3                                    | 42.0 | 41.9 | 11                                       | 10   | —    |
| Exports of primary producing countries <sup>4</sup>   | 36.5                                    | 37.9 | 36.1 | 7  | 4    | -5   |
| Trade of manufacturing countries                      |   |      |      |  |      |      |
| With each other                                       |   |      |      |  |      |      |
| Total   | 26.5                                    | 29.5 | 27.5 | 16                                       | -11  | -7   |
| Exports of United States                              | 5.6                                     | 6.6  | 5.0  | 27                                       | 19   | -25  |
| Exports to United States                              | 3.2                                     | 3.3  | 3.7  | 22                                       | 5    | 11   |
| Trade between other manufacturing countries           | 17.7                                    | 19.5 | 18.8 | 12                                       | 10   | -4   |
| With primary producing countries                      |   |      |      |  |      |      |
| Exports of United States                              | 11.7                                    | 12.8 | 11.2 | 19                                       | 9    | -12  |
| Exports of other manufacturing countries              | 16.1                                    | 17.7 | 17.6 | 7  | 10   | -1   |
| Exports of primary producing countries <sup>5</sup>   |   |      |      |  |      |      |
| To United States                                      | 9.4                                     | 9.5  | 9.1  | 7  | —    | -4   |
| To other manufacturing countries                      | 16.6                                    | 16.9 | 16.1 | 6  | 2    | -5   |
| With Soviet area                                      |   |      |      |  |      |      |
| Exports of manufacturing countries                    | 1.3                                     | 1.5  | 1.8  | 32                                       | 17   | 17   |
| Exports of Soviet area <sup>6</sup>                   | 1.4                                     | 1.5  | 1.6  | 26                                       | 7    | 6    |

Sources: Based on data from International Monetary Fund, *International Financial Statistics*, and Statistical Office of the United Nations, International Monetary Fund, and International Bank for Reconstruction and Development, *Direction of International Trade*.

<sup>1</sup> Excluding exports of the Soviet bloc and Mainland China, and U.S. military exports.

<sup>2</sup> Nonmilitary exports.

<sup>3</sup> Countries exporting mainly manufactured products, viz., the United Kingdom, Austria, Belgium-Luxembourg, Denmark, France, the Federal Republic of Germany, Italy, the Netherlands, Norway, Portugal, Sweden, Switzerland, and Japan.

<sup>4</sup> Countries exporting mainly primary products and semimanufactures, i.e., all countries other than those classified as "manufacturing countries," and excluding the Soviet bloc and Mainland China.

<sup>5</sup> 1958 figures partly estimated.

<sup>6</sup> Including Mainland China. Estimated from import statistics of manufacturing countries.

quarter of 1959, when it was approximately the same as in the first quarter of the previous year.

The decline in export volume, like that in industrial production, was confined largely to exports from the United States. These fell by 16 per cent from 1957 to 1958, after rising by 9 per cent from 1956 to 1957. For the rest of the world, the volume of exports rose by less than 1 per cent, against 5 per cent in the previous year.

The movement of imports classified according to area showed no comparable relationship to changes in either industrial activity or aggregate demand. The volume of U.S. imports actually in-

creased by 4 per cent, while that of the imports of other manufacturing countries (i.e., countries exporting mainly manufactured goods) declined by 2 per cent (Table 8). Both of these movements were the result of factors affecting trade between the United States and other manufacturing countries. The volume of U.S. imports rose largely because of an increase of more than 10 per cent in its imports from other manufacturing countries; and a reduction of about one fifth in the volume of the imports of the other manufacturing countries from the United States, which had been abnormally high in 1957, was the principal cause of the slight decline in their imports. The volume of exports from primary producing countries (i.e., countries exporting mainly primary products), both to the United States and to other manufacturing countries, remained roughly constant.

While primary producing countries were able to avoid any significant decline in the volume of their exports, the average price and value of their exports declined by some 5 per cent, the rate of decline for exports to the United States being slightly less than for exports to other manufacturing countries. The imports of primary producing countries in general, however, though not those of most of the independent members of the sterling area, declined even more steeply than their exports. Moreover, the decline of imports was primarily in volume, which may have fallen as much as 5 per cent. Usually any change, and particularly any reduction, in the export earnings of primary producing countries takes time to react upon their imports. In this instance a decline in exports was followed quickly by a decline in imports, partly because the flow of capital from manufacturing countries was also slightly less than in the previous year but mainly because in many countries reserves, which had been drawn upon in preceding years, were running short and some curtailment of imports was imperative.

The United States provided a reduced proportion of the total volume of goods supplied by manufacturing countries in the markets of the United States itself, of the other manufacturing countries, and of the primary producing countries as a whole. Indeed, the U.S. share in the total exports of manufacturing countries fell

TABLE 8. CHANGES IN VOLUME OF EXPORTS AND IMPORTS, IN TERMS OF TRADE, AND IN VOLUME AND UNIT VALUE OF MANUFACTURED EXPORTS OF COUNTRIES EXPORTING MAINLY MANUFACTURED PRODUCTS, 1957 AND 1958

(Percentage changes from previous year)

|                                    | Volume of Exports |                  | Volume of Imports |                  | Terms of Trade <sup>1</sup> |      | Volume of Manufactured Exports |                  | Unit Value of Manufactured Exports |      |
|------------------------------------|-------------------|------------------|-------------------|------------------|-----------------------------|------|--------------------------------|------------------|------------------------------------|------|
|                                    | 1957              | 1958             | 1957              | 1958             | 1957                        | 1958 | 1957                           | 1958             | 1957                               | 1958 |
| Netherlands                        | 5                 | 10               | 3                 | -4               | -2                          | 3    | 7                              | 9                | 2                                  | -1   |
| Denmark                            | 7                 | 9                | -1                | 7                | -6                          | 6    | 9                              | 10               | 1                                  | -1   |
| Japan                              | 13 <sup>2</sup>   | 7 <sup>2</sup>   | 26 <sup>2</sup>   | -19 <sup>2</sup> | -4                          | 7    | 15                             | 6                | 1                                  | -6   |
| France                             | 10                | 5                | 6                 | -1               | -2                          | 4    | 12                             | 8                | 1                                  | -2   |
| Germany                            | 13                | 4                | 12                | 7                | 2                           | 9    | 16                             | 4                | 2                                  | —    |
| Belgium-Luxembourg                 | -2                | 2                | 2                 | -3               | —                           | —    | -3                             | 2                | 4                                  | -4   |
| Italy                              | 19 <sup>2</sup>   | -2               | 10 <sup>2</sup>   | -6 <sup>2</sup>  | -5                          | 8    | 16                             | 4                | 1                                  | 2    |
| Sweden                             | 9                 | -1               | 8                 | 2                | -3                          | 5    | 12                             | 5                | 2                                  | —    |
| Switzerland                        | 7                 | -1               | 7                 | -9               | —                           | 4    | 6                              | -3               | 2                                  | 1    |
| Norway                             | —                 | -2               | -1                | 5                | -3                          | -6   | ...                            | ...              | ...                                | ...  |
| Austria                            | 15                | -4               | 15                | 2                | 1                           | 5    | ...                            | ...              | ...                                | ...  |
| United Kingdom                     | 2                 | -4               | 4                 | —                | 3                           | 7    | 3                              | -4               | 3                                  | 2    |
| United States                      | 9 <sup>3</sup>    | -16 <sup>3</sup> | 2                 | 4                | 4                           | 4    | 9 <sup>3</sup>                 | -14 <sup>3</sup> | 4                                  | -1   |
| Total <sup>4</sup>                 | 8                 | -4               | 6                 | —                | -1                          | 6    | 9                              | -2               | 3                                  | —    |
| Total, excluding U.S. <sup>4</sup> | 8                 | 2                | 7                 | -2               | —                           | 6    | 9                              | 3                | 2                                  | —    |

Sources: Data on volume of imports and exports and terms of trade from International Monetary Fund, *International Financial Statistics*. Data on manufactured exports, except for Denmark, Japan, and the United States, were supplied by the Statistical Office of the United Nations; U.S. figures relating to nonmilitary exports of semifinished and finished manufactures are based on data from the U.S. Department of Commerce, World Trade Information Service, *Statistical Reports*, and figures for Denmark are estimated from data published in *Statistiske Efterretninger*. Japanese figures for unit value of manufactured exports show changes in unit value of total exports, and volume figures are derived from value of manufactured exports deflated by this series.

<sup>1</sup> Export price index divided by import price index.

<sup>2</sup> Estimated from value and price data.

<sup>3</sup> Nonmilitary exports.

<sup>4</sup> Changes in weighted averages of countries listed. Changes in terms of trade derived from average export and import unit values implied by changes in volume and value of exports and imports.

in most of the major groups of primary producing countries, in Canada, dollar Latin America, non-dollar Latin America, the sterling area, and the dependent overseas territories of European countries. To some extent, this may be attributed to the increased competitiveness of other manufacturing countries. The greater part of the shift in relative exports was, however, probably due to other causes. In the markets of the other manufacturing countries (which accounted for some two thirds of the decline in the U.S. share in the exports of all manufacturing countries), an important factor was the disappearance in 1958 of the abnormally high demand for U.S. exports, and especially for exports of petroleum, after the events of Suez. Another factor was the slackening of activity in Europe, which had an influence on the demand for the types of goods that constitute a large proportion of U.S. exports to manufacturing countries. The very high demand for cotton, coal, steel, and other semimanufactured goods disappeared, and the demand for capital equipment was also reduced.

The adverse effects on U.S. exports to primary producing countries associated with the decline in direct investment from the United States, which is discussed below, probably exceeded the favorable effects exercised by the somewhat smaller increase in other forms of private and public lending. In countries especially affected by the decline in U.S. direct investment—such as Canada, Cuba, and Venezuela—the decline in imports from the United States was particularly marked. The U.S. share in total exports to primary producing countries was also likely to fall in view of the fact that the markets where the decline in total imports from manufacturing countries in 1958 was greatest were Canada, dollar Latin America, and certain countries in the Far East, all of which normally receive a particularly large share of their imports from the United States.

Developments in the export of manufactures by countries other than the United States varied widely (Table 8). The Netherlands and Denmark increased the volume of their exports from 1957 to 1958 by about 10 per cent, the rate of growth being actually higher than from 1956 to 1957. The volume of exports from

Japan, France, and Germany continued to increase, though at a reduced rate. Exports of manufactures from Italy and Sweden also rose, although the total volume of their exports did not increase. Exports from the United Kingdom and Switzerland, on the other hand, declined. The differences between the changes in the volume of exports from different manufacturing countries are probably to be explained in part by differences in the movements of their prices (Table 8), but other factors were also at work. Thus increased exports to North Africa as a consequence of political events within the French Union, and the recovery of exports to the Middle East from the exceptionally low level of 1957, were important influences in determining total French exports. Denmark and the Netherlands had favorable positions as exporters of consumer goods for which there was a ready market in other industrial countries. On the other hand, Sweden and Belgium-Luxembourg were handicapped in 1958 because a large proportion of their export trade consists of capital goods and semimanufactures, and the United Kingdom and Japan, because a large proportion of their markets is in primary producing countries whose importing power was declining.

### Prices and Export Receipts in the Primary Producing Countries

The decline in the prices of primary products, some of which had begun to weaken in the second half of 1955, though with a brief recovery after the Suez events, gained momentum as demand slackened in the industrial countries, and continued through the greater part of 1958. In the early months of the year, the decline was severe and extensive, becoming less strong and less uniform thereafter, with considerable diversity between the price movements of different commodities. Though reflecting to some extent the gradual recovery of activity in industrial countries, price movements in the second half of 1958 and the early months of 1959

were determined largely by special conditions affecting individual commodities.

For 1958 as a whole, the prices of most primary products were well below their 1957 level. The average price (unit value) received by countries exporting primary products declined from 1957 to 1958 by some 5 per cent, and the average price of their imports (c.i.f.) by 1-2 per cent, so that the terms of trade of these countries deteriorated by roughly 4 per cent. On the other hand, the terms of trade of the Western European manufacturing countries with the countries exporting primary products improved by more than 6 per cent, the discrepancy between these two figures being explained mainly by the sharp reduction of freight costs. The decline in the average prices received by primary producers was reflected in a similar reduction of their export earnings (Table 9); the total volume of their exports showed little, if any, change between 1957 and 1958. Differences in commodity composition, however, produced a wide variety in both the price and the volume movements of the exports of different countries.

The impact of slackening activity in industrial countries upon countries exporting mainly tropical foodstuffs was confined to arresting the growth of minor exports. The demand for their major

TABLE 9. TRADE OF PRIMARY PRODUCING COUNTRIES,<sup>1</sup> 1957 AND 1958

(Value figures in billions of U.S. dollars)

|  | Exports f.o.b. |       |                   | Imports c.i.f. |       |                   |
|--|----------------|-------|-------------------|----------------|-------|-------------------|
|  | 1957           | 1958  | Percentage change | 1957           | 1958  | Percentage change |
| Major countries exporting                |                |       |                   |                |       |                   |
| Tropical foods                           |                |       |                   |                |       |                   |
| Coffee                                   | 2.42           | 2.19  | -10               | 2.58           | 2.28  | -10               |
| Other foods <sup>2</sup>                 | 3.23           | 3.25  | +1                | 3.95           | 3.81  | -3                |
| Other agricultural products <sup>3</sup> | 6.75           | 5.87  | -13               | 7.76           | 7.70  | -1                |
| Metals and rubber                        | 3.20           | 2.64  | -18               | 3.21           | 2.60  | -19               |
| Petroleum                                | 6.49           | 6.87  | +6                | 4.66           | 4.50  | -4                |
| Major countries with diversified exports | 13.49          | 13.05 | -3                | 18.34          | 17.08 | -7                |
| Total                                    | 35.58          | 33.87 | -5                | 40.45          | 37.97 | -6                |

Source: Based on data from International Monetary Fund, *International Financial Statistics*.

<sup>1</sup> The countries in each category are listed in Tables 19, 21, 23, and 25.

<sup>2</sup> Cocoa, tea, sugar (cane), bananas, oilseeds, and vegetable oils.

<sup>3</sup> Textile fibers, livestock products, grain, and tobacco.



products was hardly affected, market developments for these products being largely determined by supply conditions.

As the disparity between output and demand widened, coffee prices declined steadily during 1958 and continued to fall slowly through the first months of 1959. Heavy stockpiling by Brazil and Colombia, and to a lesser extent by other countries, under the terms of the informal agreement concluded by the major Latin American producers in October 1957 with the intention of maintaining orderly market conditions, and renewed on a more comprehensive basis in October 1958, did not prevent a downward movement of prices. Save in Brazil and one or two other countries, however, the effect of the price decline on export receipts was offset in part by increases in the volume of shipments. Cocoa was one of the few commodities whose prices rose markedly from 1957 to 1958. Despite reduced output and a reduced volume of exports, the advance in prices raised the export receipts of the major producers. Civil strife in Cuba and the ensuing uncertainty with respect to the sugar cane harvest kept the price of sugar in the free world market throughout 1958 well above the floor price set by the International Sugar Agreement, though it was much below the high average of 1957. Expanded shipments to the United States at the protected U.S. price provided countries supplying the U.S. market with some compensation for the fall in the free world price.

The widespread recession in textile manufacturing kept prices of fibers depressed throughout the year. Wool prices declined steadily from mid-1957 through 1958, the average for 1958 being about one-third less than the average price in 1957. Expansion of volume and/or increased prices of other livestock products partly or wholly offset the effect of this decline on the export receipts of some of the exporting countries, and there was some recovery in wool prices in the early months of 1959. Pressure of rising surpluses led to a reduction in the price of long-staple cotton by well over 30 per cent; as a result of an expanded volume of shipments, however, the export receipts of the Egyptian Region of the United Arab Republic and the Sudan were comparatively well maintained.

The prices of other types of cotton, though weakened by slackening demand, were not more than 6 per cent lower than in 1957. Wheat and tobacco prices changed even less, and receipts of major exporters of these commodities varied mainly with the volume of their exports. Poor crops caused an advance of rice prices but reduced exportable supplies, so that the receipts of Burma and Thailand, the two main exporting countries, fell sharply.

Exports of nonferrous metals declined sharply between 1957 and 1958 in both price and volume. The downward movement of copper prices in recent years, caused primarily by expansion of productive capacity, was accelerated after mid-1957 by a slackening of demand. It was reversed in mid-1958 through deliberate cuts of output in major producing countries and some revival of inventory accumulation. Subsequent strikes in Rhodesian and Western Hemisphere copper mines reduced supplies further and contributed to the strengthening of prices. The average price for the year, however, was some 10 per cent less than the average for 1957 and the receipts of major exporters fell by some 15 per cent. In spite of reduced demand and increased sales by the U.S.S.R., the average price of tin, supported by buffer stock operations and export quotas under the International Tin Agreement, remained in 1958 close to the 1957 average. The drastic restrictions imposed on the volume of exports, however, brought about a sharp reduction of export earnings. Early in 1959 the prices of both copper and tin showed considerable gains. Lead and zinc prices followed, by and large, a similar pattern: they weakened in the earlier, and to some extent recovered in the later, part of 1958, despite import quotas imposed by the United States in October. The depressing effect of reduced U.S. demand on the price of natural rubber was lessened by increased purchases by the U.S.S.R., and total shipments of rubber were only slightly less than in 1957. Recovery of U.S. demand toward the end of 1958 led to a gradual rise of prices.

As in previous postwar recessions, exports of petroleum and products were not visibly affected by the slackening of industrial activity. Prices in 1958 were much the same as in 1957, and the

total volume of exports continued the upward trend of earlier years. The advance was heavily concentrated in Middle Eastern countries, where progress had been hampered in 1957; Venezuela's exports, after rising sharply in 1957, showed some contraction in 1958. U.S. imports of petroleum and products increased somewhat from 1957 to 1958; a slight decline in imports of crude petroleum, curbed by voluntary quotas, was outweighed by a considerable rise in imports of refined products. There was some reduction in petroleum prices, particularly in the Middle East, in the early months of 1959.

### Balance of Payments Developments

The principal changes from 1957 to 1958 in world balance of payments relations were the re-emergence of a large payments surplus of the rest of the world with the United States, a rise to unprecedented levels in the aggregate surplus of other countries exporting manufactures, and an increase in the aggregate deficit of countries exporting mainly primary products; this deficit would have been even greater had not many of these countries been forced, by shortages of reserves and of other sources of finance, to curtail their external expenditures.

The transfer of gold and dollars from the United States to other countries, which had continued each year after 1953, though at a diminishing rate, until the twelve months following the Suez events, began again late in 1957 and continued on a large scale through 1958. In 1958 the surplus of the rest of the world in transactions with the United States, as measured by transfers to official holders, amounted to \$2.9 billion, compared with a deficit of \$1.4 billion in 1957. Though economic activity in the United States was less in 1958 than in 1957, U.S. imports and foreign expenditures generally were well maintained. The great improvement in the balance of payments of other countries with the United States was attributable in large measure to declines of \$3.6 billion in U.S.

receipts from exports and of nearly \$0.8 billion in U.S. receipts from capital inflow. In part these declines were due to the cessation of the special factors which had expanded U.S. exports in 1957 and to the cessation, and partial reversal, of speculative capital movements from Europe. In part the decline in exports may be attributed to a flattening out in the upward trend of output and aggregate demand in other industrial countries—a flattening out in marked contrast to the continued growth of activity in these countries during the previous U.S. recession, when the rest of the world's expenditures in the United States, far from falling, had risen by \$700 million from 1953 to 1954. The balance of payments between the United States and other countries appears to have been more sensitive to the relatively slight slackening of demand in the overstrained European economies than to the more substantial decline in demand and output from a moderately high level in the United States.

The aggregate payments surplus of the other manufacturing countries, which had been declining in each year since 1954 until 1957, when there was a deficit of more than \$0.6 billion, reappeared in 1958 at about \$4.1 billion, the highest surplus in the postwar period (Table 10). The payments balance improved in all the other manufacturing countries except Germany. The German surplus, which in recent years had greatly expanded, was reduced in 1958 but was still substantial. Only in France was there still a deficit, which, however, was much smaller than in 1956 or 1957.

In the first four months of 1959 the aggregate surplus of the manufacturing countries other than the United States declined to some \$250 million. There was a deficit in Germany because of certain nonrecurrent factors described later in this Report, and the other manufacturing countries together had a relatively smaller surplus than in 1958.

Three fourths of the improvement from 1957 to 1958 in the balance of payments of the manufacturing countries other than the United States (with imports valued f.o.b.) may be attributed to a change in the balance of trade. Much the greater part of the im-

TABLE 10. PAYMENTS BALANCES OF COUNTRIES OTHER THAN THE UNITED STATES, BY MAJOR GROUPS, 1957 AND 1958

(In millions of U.S. dollars)

|                                      | 1957   | 1958   |
|--------------------------------------|--------|--------|
| Countries exporting manufactures     |        |        |
| United Kingdom                       | -554   | 776    |
| Germany                              | 1,353  | 742    |
| France                               | -1,019 | -150   |
| Others                               | -425   | 2,718  |
| Total                                | -645   | 4,086  |
| Countries exporting primary products |        |        |
| Exporters of                         |        |        |
| Coffee                               | -155   | -262   |
| Other tropical foods                 | -231   | -147   |
| Other agricultural products          | -39    | -557   |
| Metals and rubber                    | -299   | -7     |
| Petroleum                            | 429    | -299   |
| Others                               | -1,007 | -136   |
| Total                                | -1,302 | -1,408 |
| Total excluding Venezuela            | -1,806 | -1,066 |

Source: Based on data from Tables 18, 20, 22, 24, and 26.

provement in the trade balance took place vis-à-vis the United States, for reasons already discussed (page 41). There was also some increase in the trade surplus with the primary producing countries. The deterioration in the terms of trade of the primary producers with all the manufacturing countries was a principal factor compelling them to curtail their total imports of industrial products. The fact that this contraction affected their imports from the United States rather than those from the other manufacturing countries, which were thus enabled to improve their trade balance with the primary producers, must be attributed to a variety of causes also discussed above.

The improvement in the trade balance was particularly large in Japan—where it was equal to nearly 30 per cent of 1957 imports—the Netherlands, Italy, Switzerland, France, and Denmark. The favorable shift in the trade balance in all these countries, supplemented in France and Italy by an improvement in service items, was primarily responsible for the sharp improvement in the balance of payments. In the United Kingdom and Belgium, however, both the capital balance and the trade balance improved substantially.

Among the countries showing a substantial improvement in the balance of trade, a large expansion of exports was particularly important for Denmark and the Netherlands; Japan, Italy, and Switzerland owed their improvement primarily to reductions in both the volume and the unit value of their imports. In Japan and Switzerland, as well as in the Netherlands, where imports also decreased significantly, the improvement in the balance was fostered by a decline, greater than in most other industrial countries, in real home demand and economic activity.

In the manufacturing countries generally, imports were much influenced by the decline in the rate of inventory investment—a natural consequence of the decline in the rate of industrial expansion and the downward trend of primary product prices. In Italy this led to a considerable decline in the volume of imports, though there was no similar movement in real demand and output.

The improvement of the balance of payments of the franc area in 1958 was due largely to the fall in the value of French imports from foreign countries, which was the result of lower prices, increased supplies from franc area sources, and the continuation of the import restrictions imposed in 1957. Although pressure of internal demand was reduced by a series of disinflationary measures in 1957 and 1958, both the volume and the value of exports to foreign countries failed to expand between 1957 and 1958, while the volume of imports from all sources remained approximately the same. The success of stabilization measures in promoting confidence was, however, reflected in gold dishoarding by French residents and the restoration to the ordinary exchange market of many of the transactions which had previously bypassed it, both of which served to reduce the payments deficit in 1958.

The notable improvement from 1957 to 1958 in the United Kingdom's payments balance, which followed the adoption of a stricter credit policy, was due partly to an improvement in its trade balance. There was a favorable movement in the terms of trade. While, for reasons discussed elsewhere, the volume of exports fell, the volume of imports was maintained, there being little decline in the volume of activity and some increase in real con-

sumption. Moreover, net earnings from oil and shipping increased. In addition, there was a considerable improvement in the capital balance, principally because overseas sterling holdings rose in 1958 after falling sharply in 1957. Part of this followed the reduction of the deficits of countries which hold their reserves in sterling; a larger part, however, was accounted for by the considerable rise in the sterling holdings of OEEC countries, reflecting in part the recovery of confidence in sterling which previously had shown some temporary weakness. Relatively high interest rates in the United Kingdom helped to strengthen the balance of capital transactions.

While Germany's exports continued to increase more than those of most manufacturing countries, the rise in the volume of its imports was equaled only in Denmark, and the improvement in its balance of trade was relatively modest. This was, moreover, outweighed by a substantial increase in net capital exports. To some extent, the increase was the result of a reversal of the influx of short-term funds which had arisen from the difficulties of the United Kingdom, the Netherlands, and France in 1957. In considerable part, however, it resulted from the relative reduction of interest rates which the German monetary authorities helped to bring about.

While the decline in primary product prices reduced their export earnings, the trade balances of the majority of countries exporting primary products improved from 1957 to 1958, for their imports were reduced even more. The aggregate trade deficit for the countries whose trade is summarized in Table 9, where imports are valued c.i.f., fell by nearly \$0.75 billion, after increasing by \$1 billion from 1955 to 1956 and by \$2 billion from 1956 to 1957. While the value of their exports declined by about \$1.7 billion, their aggregate imports fell by nearly \$2.5 billion, or 6 per cent. Although the falling off in export income would of itself tend to reduce import expenditures, the main reason for the rather severe contraction of imports was the intensification of import restrictions and the depreciation of exchange rates which the diminution in reserves and in the possibility of further drawing on the

resources of the International Monetary Fund compelled several countries to adopt. Especially in the countries exporting mainly metals and rubber, whose exports fell more sharply than those of any other country group listed in Tables 9 and 10, imports had to be curtailed to roughly the same extent as exports, so that their trade was balanced and their aggregate payments deficit was reduced.

In some countries, particularly India, Peru, Uruguay, and Burma, imports were sharply reduced, and both the trade and the payments balances improved. In India the improvement was due in part to an inflow of foreign capital, which increased from \$370 million in 1957 to \$628 million in 1958, and India's payments balance improved from a deficit of nearly \$700 million in 1957 to one of about \$200 million in 1958. Despite considerable reductions in exports, Colombia, Peru, Burma, and Thailand were able to maintain or increase their foreign exchange holdings. Some countries whose payments balance deteriorated from 1957 to 1958, such as Australia—whose reserves had increased substantially in the previous year—and Guatemala, were able to maintain or increase their imports by drawing heavily on reserves. Other countries, including Brazil, Turkey, and New Zealand, covered their payments deficits largely by borrowing abroad.

In considering the significance of the net inflow of capital and grants into the primary producing countries in 1958, Venezuela should be distinguished from the other countries in this group. In Venezuela, purchases of oil concessions had been responsible for a large inflow of foreign capital in 1957, while in 1958 there was a similarly large outflow of capital. The net flow of capital and grants, excluding credits intended to finance deficits, received by primary producing countries other than Venezuela appears to have been little smaller in 1958 than in 1957. Some decline in U.S. direct investment was largely offset by increased loans from government agencies. The net flow of capital from the United Kingdom to the sterling area may have been slightly greater in 1957 than in 1958. Disbursements to primary producing countries by



the International Bank for Reconstruction and Development amounted to nearly \$500 million in 1958, some \$125 million more than in 1957.

Of the aggregate deficit of the primary producing countries (including Venezuela), amounting to \$1,400 million in 1958, some \$475 million appears to have been financed by official borrowing, against some \$130 million in the previous year; \$125 million was financed by net borrowing from the Fund, compared with \$350 million in the previous year; and in each of the two years about \$800 million was financed by drawing on reserves. If Venezuela with its large reserve movements is excluded, the payments deficit of the other primary producing countries fell from \$1.8 billion in 1957 to less than \$1.1 billion in 1958, and their drawings on reserves from \$1.3 billion to \$460 million. This was not because there would have been no additional demand for imports if the means to pay for them had been available, but because the reserve positions of many countries had already been seriously weakened.

### Reserve Developments

Total official gold and foreign exchange reserves held by national monetary authorities (excluding the U.S.S.R. and the countries associated with it), which had risen by \$1.3 billion in 1956 and by \$0.8 billion in 1957, rose by almost \$1 billion, or slightly less than 2 per cent, in 1958. Gold reserves and foreign exchange reserves increased in 1958 in roughly the same proportion (Table 11).

The net addition to national gold reserves in 1958, amounting to \$715 million, or 1.9 per cent, fell short of the very high figure of \$1,260 million for 1957, but was not unusually low. The decline of \$545 million in the growth of these reserves may be regarded as the net result of the other factors bearing upon demand and supply for gold as shown in Table 12. The principal element was the change in the movement of the gold holdings of the Fund

TABLE 11. OFFICIAL GOLD AND FOREIGN EXCHANGE RESERVES, 1955-58

|   | Official Reserves<br>at End of Year<br>(billion U.S. dollars) |       |       |       | Official Reserves<br>as Per Cent of<br>Imports c.i.f. <sup>1</sup> |      |      |      |
|---|---|-------|-------|-------|--|------|------|------|
|   | 1955  | 1956  | 1957  | 1958  | 1955   | 1956 | 1957 | 1958 |
| United States <sup>2</sup>                            | 21.75   | 22.06 | 22.86 | 20.58 | 185  | 178  | 170  | 147  |
| United Kingdom  | 2.16  | 2.17  | 2.37  | 3.11  | 22   | 21   | 21   | 28   |
| Germany, Federal Republic of                          | 3.08  | 4.29  | 5.64  | 6.32  | 65   | 76   | 85   | 88   |
| Other manufacturing countries                         | 11.03   | 10.47 | 9.64  | 12.22 | 53   | 44   | 36   | 44   |
| All other countries                                   | 13.82   | 14.13 | 13.38 | 12.63 |  |      |      |      |
| Total <sup>3</sup>                                    | 51.83   | 53.12 | 53.89 | 54.86 | 63   | 59   | 55   | 53   |
| Of which gold <sup>4</sup>                            | 35.46   | 36.10 | 37.36 | 38.07 |  |      |      |      |
| Reserves of countries other than<br>the United States |   |       |       |       |  |      |      |      |
| Gold <sup>4</sup>                                     | 13.71   | 14.04 | 14.50 | 17.49 |  |      |      |      |
| Foreign exchange <sup>3</sup>                         | 16.37   | 17.02 | 16.53 | 16.79 |  |      |      |      |
| Dollars   | 7.87  | 8.56  | 8.20  | 8.48  |  |      |      |      |
| Credit balances in EPU                                | 0.99  | 1.09  | 1.27  | 1.37  |  |      |      |      |
| Currency deposits with<br>BIS <sup>5</sup>            | 0.26  | 0.27  | 0.27  | 0.50  |  |      |      |      |
| Other reserves <sup>6</sup>                           | 7.24  | 7.11  | 6.80  | 6.43  |  |      |      |      |
| Total gold and foreign<br>exchange <sup>3</sup>       | 30.08   | 31.06 | 31.03 | 34.27 | 43   | 40   | 36   | 39   |

Sources: Based on data from International Monetary Fund, *International Financial Statistics*, and Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*.

<sup>1</sup> Annual average of imports in three years ended with the year shown.

<sup>2</sup> Gold reserves.

<sup>3</sup> Totals may not equal sums of items because of rounding.

<sup>4</sup> As reported from national sources.

<sup>5</sup> Excluding deposits in terms of gold.

<sup>6</sup> Including errors and omissions.

and the EPU, which declined in 1957 when the Fund sold \$600 million of gold to the United States to replenish its dollar holdings. The effects of these movements on the gold holdings of individual countries were, of course, matched by an opposite effect on their rights to draw on the resources of the Fund and the EPU.

Reserves of foreign exchange, mainly U.S. dollars and sterling, which had risen from 1951 to 1956 at an average rate of \$750 million per annum, declined in 1957 by \$490 million and rose in 1958 by \$260 million. The proportion of the world's reserves held in the form of foreign exchange at the end of 1956 was 32 per cent; at the end of 1957, and again at the end of 1958, it was about 30.7 per cent.

The stability in this proportion during 1958 was the outcome of a number of divergent tendencies. Countries other than the United States, many of which hold a high proportion of their re-

TABLE 12. DISPOSITION OF GOLD, 1957 AND 1958<sup>1</sup>*(In millions of U.S. dollars)*

|   | 1957  | 1958  | Change from<br>1957 to 1958 |
|---|-------|-------|-----------------------------|
| Net supplies available <sup>2</sup>   |       |       |                             |
| Production  | 1,020 | 1,050 | +30                         |
| Soviet sales  | 260   | 210   | -50                         |
| Total   | 1,280 | 1,260 | -20                         |
| Disposition of gold   |       |       |                             |
| 1. Industrial consumption and private hoarding <sup>3</sup>   | 540   | 570   | +30                         |
| 2a. Increase in BIS holdings  | -15   | 175   |                             |
| 2b. Increase in central bank gold deposits with the BIS presumed included in national reserves <sup>3</sup> | -20   | 225   |                             |
| 2c. Item 2a minus item 2b   | 5     | -50   | -55                         |
| 3. Increase in Fund and EPU holdings  | -525  | 25    | +550                        |
| 4. Total of 1, 2c, and 3  | 20    | 545   | +525                        |
| 5. Increase in national reserves  | 1,260 | 715   | -545                        |
| Total of 4 and 5  | 1,280 | 1,260 | -20                         |

<sup>1</sup> Excluding gold retained in the U.S.S.R. and countries associated with it.<sup>2</sup> In markets outside the U.S.S.R. and countries associated with it.<sup>3</sup> The estimate of industrial consumption and private hoarding is calculated by subtracting the increase in the gold holdings of national authorities and international institutions from the known value of gold production plus the estimated value of U.S.S.R. gold sales. On the assumption that countries generally include in their reported gold reserves that part of their deposits with the BIS which is expressed in gold, a deduction has been made from total official gold holdings in order to avoid double counting. To the extent that these deposits are not included in reported national gold holdings, the deduction required for this purpose would be smaller, and the residual figure would have been less than \$570 million in 1958.

serves in foreign exchange, had a large payments surplus with the United States, which holds reserves in gold and not in foreign exchange. However, outside the United States there was a decline from 53.3 per cent to 49.0 per cent in the proportion of countries' reserves held in the form of foreign exchange. Almost one fourth of this decline was attributable to the fact that a large part of the increase in reserves accrued to industrial countries such as the United Kingdom, Belgium, the Netherlands, and Switzerland, which usually hold a particularly small proportion of their reserves in foreign exchange, while the reserves of the primary producing countries, most of which are in foreign exchange, declined.

The remaining three fourths of the decline is attributable to the fact that in most, though not all, European countries where reserves increased, the gold component increased more than propor-

tionately. This was particularly marked in the United Kingdom, where the gold component of reserves increased during 1958 from a little less than 70 per cent to about 90 per cent, and in Italy, where it rose from 30 per cent to about 45 per cent. In the United Kingdom, the amount of total reserves held in the form of dollars was unusually high at the end of 1957, when reserves were being replenished by foreign credits; and during 1958, when total reserves increased materially, the dollar component declined to a more normal level.

Of the surplus of \$2.9 billion which the rest of the world earned in transactions with the United States in 1958, \$2.3 billion was settled through gold sales by the United States, and the remainder, some 20 per cent, by transfers of dollars to official holders. The very large gold sales in 1958, however, were not due to any great extent to any change in the composition of reserves of other countries. The proportion of total reserves held in the form of dollar balances in the United States fell only slightly, from 26.4 per cent at the end of 1957 to 24.8 per cent at the end of 1958, and the proportion of U.S. dollars in the foreign exchange reserves of other countries in fact increased appreciably during 1958.

Of the foreign exchange reserves held in forms other than balances with the United States, currency deposits held with the Bank for International Settlements (most of which were probably denominated in dollars) rose by \$230 million, or by 85 per cent; reserves held with countries other than the United States appear to have declined—though the calculation is uncertain—by some 5 per cent. The exchange reserves, which are predominantly in sterling, of the independent countries of the sterling area other than the United Kingdom declined in 1958 by the equivalent of some \$390 million, or more than 10 per cent.

With the decline in the value of world trade from 1957 to 1958, the fall recorded since 1954 in the ratio of world reserves to world imports was checked. If, as in Table 11, imports are recorded in terms of a three-year moving average, this ratio shows a continued decline during 1958, though for the world excluding the United States it increased during that year from 36 per cent to 39 per

cent. The reserves of primary producing countries have become increasingly inadequate. There was a substantial improvement in 1958 in the reserve position of manufacturing countries other than the United States, and especially of the United Kingdom. At the end of 1958 the United States had about 38 per cent of the total reserves and 54 per cent of the gold reserves of all countries, and the ratio of U.S. reserves to U.S. imports was more than three times that of other manufacturing countries.

### Measures to Deal with Payments Disequilibrium

The problems of payments disequilibrium in the manufacturing countries became less acute in 1958 with the marked change in the business climate that was apparent in that year, and to some extent as a result of the corrective measures taken earlier. In many primary producing countries, on the other hand, payments difficulties increased; but more frequently than in previous years, these were of external rather than domestic origin, and the steps that would be effective in remedying them were more difficult to determine.

Among the manufacturing countries, only France was still in 1958 under the necessity of adopting measures to arrest a payments deficit; in several of these countries, however, notably Japan, the Netherlands, Denmark, and the United Kingdom, as well as France, the improvement which occurred from 1957 to 1958 was in part a result of strenuous corrective measures initiated in 1957 and continued in 1958. In most of the manufacturing countries the improvement was such as to enable them, without risk of serious pressure on the balance of payments, to lessen the severity of fiscal and monetary restraints, while the falling tendency of market and official interest rates helped to counteract the slackening of external demand and economic activity.

The slackening in demand pressure on domestic resources made it easier to continue the policy of lowering interest rates adopted

in the Federal Republic of Germany in order to encourage capital exports and thus to reduce the payments surplus. The favorable payments situation of the European industrial countries also was an important factor in the adoption of nonresident convertibility in December 1958, and in the other steps, described elsewhere in this Report, to reduce discriminatory restrictions and, in some countries, to give greater freedom to capital exports. In Japan, while most of the 1957 measures designed specifically to restrict import financing were withdrawn in 1958, steps were taken to encourage exports. In France, the anti-inflationary measures adopted in the second half of 1957 were reinforced in 1958 by further measures of credit control and by tax increases. With the extension of convertibility the franc was devalued by 14.9 per cent, and a new par value was declared. The devaluation was followed, in January 1959, by the relaxation of regulations concerning foreign investment in France and by the reintroduction of liberalization of imports, which had been suspended since mid-1957.

Those exporters of primary products which had sizable exchange reserves continued to draw upon them substantially in 1958; there was also an increase in official borrowing to finance deficits caused by declining earnings from exports. However, shortages of reserves and limited borrowing capacity compelled many primary producing countries to adopt other measures to reduce external disequilibrium. In most of these countries the measures took the form of adjustments of exchange rates or taxes which raise exporters' returns and importers' costs in domestic currency; some countries reimposed or tightened import controls. These measures were combined, as a rule, with some degree of restraint on domestic credit creation. Few countries, however, have found it possible to make use primarily or solely of fiscal and monetary measures to establish equilibrium.

In Indonesia, where economic conditions were affected by political disturbances, severe import restrictions were reimposed early in 1958. In Australia and New Zealand, where attempts were made to preserve internal stability and employment in the face of

declining export receipts, there was not only considerable use of reserves and of official borrowing but import restrictions were maintained or intensified. Import restrictions were also continued in India, in conjunction with other measures, largely in order to curtail less essential imports in favor of those considered essential for the "core" of the development program. Peru and Greece were among the countries that raised duties on imports; in Greece, the limitation of import demand was also sought by restricting import credits and reducing government expenditure. The Union of South Africa, where import liberalization in 1957 was followed by a substantial rise in imports in the first part of 1958, made use of fiscal and monetary restraints to correct the trade balance, and also intensified its controls of sterling transfers.

In several Latin American countries with fluctuating exchange rates the rates were permitted to depreciate in the course of the year. The value of the Chilean peso declined by some 36 per cent from the end of 1957 to the end of 1958, and during the same period the boliviano depreciated by 28 per cent. The Peruvian sol, which had been held stable for several years, was unpegged in January 1958, and by the end of the year it had fallen by some 30 per cent. The most common exchange devices which affected exports, however, were adjustments of multiple rate structures, including exchange premiums, surcharges, etc., and changes in export taxes. Argentina replaced its previous exchange system by a greatly depreciated single fluctuating rate. Adjustments in export rates were more frequent than in earlier years. Colombia and Brazil depreciated both their effective export rates for coffee and certain import rates; Colombia also maintained import prohibitions. Nicaragua abolished the tax on coffee exports. Argentina and Uruguay adjusted both their effective export rates for wool and other export commodities and their import rates. Afghanistan depreciated the export rates for karakul, wool, and cotton. In Turkey, a simplification of the rate structure in August 1958 was accompanied by a considerable depreciation of both export and import rates. The United Arab Republic (Egyptian Region), the Sudan, and Peru reduced export duties on extra-long-staple cotton.

## Domestic Financial Developments and Policies in Industrial Countries

The authorities in practically all the more industrialized countries were confronted in 1958 with the problem of checking the slackening of activity and inducing a renewed expansion without sacrificing the objective of price stability. This task was made more difficult nearly everywhere by the fact that prices, though rising more slowly than before, had not entirely leveled off. On the other hand, the adoption of antirecession measures was facilitated in most of these countries by favorable balance of payments conditions.

In many countries, the authorities believed that the slowing down or even temporary cessation of growth was not entirely unhealthy after the inflationary pressures of earlier years. A too energetic reflationary policy, designed to continue a high rate of growth, might, it was feared, give rise to unsound developments, intensify inflation, and make necessary even more severe adjustments at a later stage. Accordingly, the authorities did not quickly reverse their earlier anti-inflationary policies. In most countries, they found it unnecessary to apply over-all expansionary measures, other than the relaxation of credit restrictions and permitting a gradual lowering of the rate of interest—a result which in many countries required no active intervention on their part. Save in one or two countries fiscal action was confined to specific measures designed to affect particular sectors of industry or particular depressed areas. It was hoped that these policies would succeed in inducing an adequate revival in economic activity in 1959 within an environment of monetary stability and a satisfactory balance of payments position.

Thus, the mild recession did not induce the governments of industrial countries to relax their watchful concern over the trend of prices. As soon as the recovery in production was well under way, as in the United States, or whenever fiscal measures gave rise to renewed concern over inflation, as in Norway in early 1959, the monetary authorities discontinued their easing policies.



## *Monetary Policies*

The most overt manifestation of antirecession policy was a widespread, though mostly moderate, reduction in discount rates. From the beginning of 1958, Belgium, the Netherlands, and the United Kingdom reduced the rate five times, Ireland four times, and the Federal Republic of Germany and France thrice. Denmark and Japan reduced it twice, while Austria, Finland, Italy, Sweden, Switzerland, and the Union of South Africa reduced the rate once. In early 1959, the lowest discount rates were in Switzerland (2 per cent) and in Germany and the Netherlands (2.75 per cent). The United States, after reducing the rate twice in the first half of 1958, raised it four times thereafter, to 3½ per cent. In Canada, also, where the rate is tied to the weekly average tender rate for treasury bills, it fell to a low of 1.12 per cent in July 1958 and then rose to 5.42 per cent in June 1959.

In many of the European countries, the reductions in official discount rates were to a large extent adjustments to a prior fall in money market interest rates. In the United States and, to a still greater extent, in Canada the declines in official and in market rates were practically simultaneous. The fall in market rates which began in some industrial countries in the latter part of 1957 and in others in early 1958 (Table 13) reflected an increase in liquidity. In the United States, this was brought about largely by Federal Reserve policies, in spite of the outflow of gold reserves, and in most European countries, by the influx of gold and foreign exchange, with little or no need for active intervention by the authorities. Indeed, in Germany and the Netherlands, the authorities undertook open market sales in order to moderate the effects of the increase in liquidity of the commercial banks; in the Netherlands, the reserve requirements for banks were raised by degrees to 10 per cent, being again reduced in April 1959 to 7 per cent.

While reductions in discount rates were generally preceded by reductions in market interest rates, they were also a signal for reductions in the rates paid and charged by commercial banks, with

TABLE 13. MARKET INTEREST RATES, SELECTED COUNTRIES, 1957, 1958, AND 1959

(In per cent per annum)

|   | 1957  |      | 1958 |      | 1959 |      |
|---|-------|------|------|------|------|------|
|   | Sept. | Dec. | Mar. | June | Dec. | Mar. |
| <b>United States</b>                                |       |      |      |      |      |      |
| Treasury bill rate                                  | 3.58  | 3.10 | 1.35 | .88  | 2.81 | 2.85 |
| Government bond yield (medium-term)                 | 3.99  | 2.95 | 2.40 | 2.02 | 3.69 | 3.94 |
| Government bond yield (long-term)                   | 3.64  | 3.22 | 3.25 | 3.19 | 3.80 | 3.92 |
| <b>Canada</b>                                       |       |      |      |      |      |      |
| Treasury bill rate                                  | 3.80  | 3.62 | 2.27 | 1.72 | 3.49 | 4.30 |
| Government bond yield (long-term)                   | 4.42  | 3.75 | 3.71 | 3.89 | 4.76 | 4.88 |
| <b>United Kingdom</b>                               |       |      |      |      |      |      |
| Treasury bill rate                                  | 5.44  | 6.43 | 5.77 | 4.46 | 3.16 | 3.30 |
| Government bond yield (short-term)                  | 5.38  | 5.91 | 5.06 | 4.64 | 4.30 | 4.06 |
| Government bond yield (long-term)                   | 5.84  | 5.88 | 5.69 | 5.53 | 5.45 | 5.25 |
| Corporate bond yield (debentures)                   | 6.59  | 6.47 | 6.26 | 6.13 | 6.02 | 5.95 |
| <b>Australia</b>                                    |       |      |      |      |      |      |
| Government bond yield (short-term)                  | 4.44  | 4.41 | 4.30 | 4.25 | 4.23 | 4.00 |
| Government bond yield (long-term)                   | 4.98  | 5.00 | 4.98 | 4.94 | 4.93 | 4.89 |
| <b>New Zealand</b>                                  |       |      |      |      |      |      |
| Government bond yield                               | 4.83  | 4.98 | 5.01 | 4.98 | 4.88 | 4.86 |
| <b>Union of South Africa</b>                        |       |      |      |      |      |      |
| Treasury bill rate                                  | 3.25  | 3.25 | 3.50 | 3.50 | 3.68 | 3.53 |
| National Finance Corporation (deposit) rate         | 3.12  | 3.12 | 3.38 | 3.50 | 3.50 | ...  |
| Government bond yield                               | 4.75  | 4.75 | 5.00 | 5.25 | 5.25 | 5.25 |
| <b>Belgium</b>                                      |       |      |      |      |      |      |
| Treasury bill rate                                  | ...   | 4.25 | 4.00 | 3.50 | 2.50 | 2.25 |
| Government bond yield                               | 4.82  | 4.94 | 4.80 | 4.64 | 4.29 | 4.28 |
| <b>Denmark</b>                                      |       |      |      |      |      |      |
| Government bond yield                               | 5.76  | 5.74 | 5.43 | 5.19 | 5.22 | 5.13 |
| <b>France</b>                                       |       |      |      |      |      |      |
| Government bond yield                               | 6.10  | 5.91 | 6.11 | 5.13 | 5.44 | 5.39 |
| Call money rate, public                             | 3.26  | 3.34 | 3.52 | 3.45 | 3.70 | 3.74 |
| Call money rate, private                            | 5.77  | 5.72 | 5.96 | 7.51 | 6.07 | 4.36 |
| <b>Germany, Federal Republic of</b>                 |       |      |      |      |      |      |
| Call money rate                                     | 4.28  | 3.84 | 3.63 | 3.72 | 2.69 | 2.75 |
| Mortgage bond yield                                 | 5.46  | 5.10 | 4.76 | 4.37 | 3.83 | 3.56 |
| Mortgage bond yield (fully taxed)                   | 6.1   | 6.1  | 6.1  | 6.0  | 5.5  | 5.5  |
| <b>Italy</b>  |       |      |      |      |      |      |
| Government bond yield                               | 6.89  | 6.84 | 6.45 | 6.30 | 5.80 | 5.40 |
| <b>Netherlands</b>                                  |       |      |      |      |      |      |
| Treasury bill rate                                  | 4.86  | 4.64 | 3.14 | 2.90 | 2.26 | 1.68 |
| Government bond yield                               | 4.82  | 4.86 | 4.40 | 4.12 | 4.31 | 4.07 |
| <b>Sweden</b>                                       |       |      |      |      |      |      |
| Government bond yield                               | 4.39  | 4.46 | 4.42 | 4.29 | 4.27 | 4.26 |
| Industrial bond yield                               | 5.18  | 5.28 | 5.28 | 5.05 | 5.07 | 5.06 |
| Commercial banks' discount rate (three-month bills) | 5.75  | 5.75 | 5.75 | 5.25 | 5.25 | 5.25 |
| <b>Switzerland</b>                                  |       |      |      |      |      |      |
| Government bond yield                               | 3.92  | 3.67 | 3.37 | 3.04 | 3.00 | 2.87 |

Sources: International Monetary Fund, *International Financial Statistics*; Central Statistical Office, *Monthly Digest of Statistics* (London); Institut National de la Statistique et des Etudes Economiques, *Bulletin Mensuel de Statistique* (Paris); Skandinaviska Banken, *Quarterly Review* (Stockholm); Konjunkturinstitutet, *Konjunkturjournalen* (Stockholm); and Deutsche Bundesbank, *Monatsberichte*.

possible reactions on domestic investment and international capital movements. In Germany, Switzerland, and the Netherlands, one purpose of the official rate policy was to reduce deposit rates, and thus to discourage a net inflow of short-term capital. Some countries, such as Austria, France, and the Scandinavian countries, kept their interest rates relatively high with a view to their influence on capital movements. In the United Kingdom, the bank rate was reduced in accordance with the marked improvement on external account and the change in domestic economic conditions. Long-term rates, however, declined only moderately owing to continued public funding operations and to sales of investments by commercial banks since the last quarter of 1958, and possibly to some feeling on the part of investors that a substantial rise in bond prices might not be sustained in the longer run. In Belgium, efforts to reduce long-term interest rates by open market purchases met with resistance owing to an increased Treasury demand in the money and capital markets. In France and the Netherlands, long-term market rates rose during the second half of 1958, without, however, reaching the level of the earlier part of the year. This moderate rise appears to have reflected increased recourse of governments to the capital market. Interest rates declined again in the first quarter of 1959.

Although discount rates in the United States moved parallel to market rates, their changes were less sharp. After a sharp decline in late 1957 and early 1958, brought about by open market purchases and reductions in reserve requirements, market rates began to rise. This increase, following a period of relative credit ease, was associated with the fact that, as economic activity and the flow of monetary transactions increased, the supply of money increased more slowly. Long-term bond yields varied, though to a lesser extent, along with short-term rates. Heavy selling of U.S. Government securities occurred in the market during June; in mid-July, the situation was complicated by the emerging crisis in the Middle East and by announcements of a major Canadian Government refunding operation and of two large U.S. Treasury financing operations. These developments led the Federal Reserve

System in the latter part of July to operate in medium-term and long-term government securities, and in the "rights" in a Treasury refunding, neither of which is ordinarily included in the transactions of the Federal Reserve System. The yields of long-term government securities rose by the early months of 1959 to a level which, though still lower than in most other industrial countries, was higher than the prerecession peak in the United States. Here the forces tending to raise the general level of interest rates were clearly being reinforced by anticipations regarding the future of government bond prices. Toward the end of 1958 and in early 1959, U.S. interest rates continued to rise, but less rapidly and less evenly. In view of the rather precipitate rise in stock prices from the end of 1957 onward, margin requirements on new stock purchases were raised in August to 70 per cent and in October to 90 per cent.

In addition to reducing discount rates, many countries relaxed restrictions on bank credit in 1958, though slowly and selectively. In a few countries, legal reserve requirements for commercial banks were altered. In the United States, there were four reductions of legal reserve ratios between February and April 1958. Effective April 1, 1959, Germany lowered the reserve requirements for foreign-owned deposits to the same level as is required for residents, since a net inflow of funds from abroad had, from the beginning of the year, been to an increasing extent succeeded by a net outflow. During 1958 and again in February 1959, the Commonwealth Bank of Australia, in order to sustain domestic spending in the face of falling export incomes and thus to maintain employment at a satisfactory level, eased the minimum reserve requirements which in Australia are imposed by the obligation to maintain Special Accounts with the Commonwealth Bank. The South African Reserve Bank, in an effort to improve the external reserve position, imposed supplementary reserve requirements which were raised by several steps to 8 per cent in October 1958; then, in view of the slackening in economic activity, these supplementary requirements were twice reduced. The Swiss National Bank ended its gentlemen's agreement with commercial banks

under which the latter had agreed to maintain certain minimum reserves. On the other hand, the Reserve Bank of New Zealand raised its legal reserve requirements, mainly to reduce pressure on the balance of payments.

The gradual lifting of other, more specific, types of restriction on credit also had considerable importance. For instance, several countries, including the United Kingdom, France, and the Netherlands, repeatedly relaxed restrictions on hire-purchase transactions in order to stimulate purchases of consumer durable goods. Especially in the United Kingdom, where restrictions were suspended in October 1958, the resulting rise in consumer outlays was a major reason for the moderate upturn in activity toward the end of the year. The United Kingdom also first eased, and in early 1959 suspended, most of the controls over borrowing by residents which had been in effect since 1939. Italy took steps to encourage private investment in a similar manner. In Germany, the large increase in new capital issues was aided by reductions in maximum rates on time and savings deposits.

Certain restrictions on bank advances were lifted in the United Kingdom and in France. Individual rediscount ceilings were raised in France, and penalty rates were lowered three times. The authorities in Norway eased the regulations governing commercial bank lending activities. In early 1959, however, increasing concern over the effects of fiscal measures on prices and on the external balance led to a new agreement with private banks designed to limit credit expansion in 1959.

Bank credit to the private sector (Table 14) increased at a higher rate than in 1957 in Australia, Germany, Sweden, the United States, and the United Kingdom (mainly in the latter part of the year when the increase was particularly marked in loans to retail trade, to personal and professional borrowers, and to hire-purchase companies). In Canada, France, Italy, Japan, and Switzerland, on the other hand, bank credit to the private sector rose at a lower rate, and it declined in Belgium, the Netherlands, New Zealand, and the Union of South Africa. In the United States, it increased at the same rate as in 1957, as a decline in

TABLE 14. PERCENTAGE CHANGES IN MONEY SUPPLY AND IN BANK CREDIT, AND INDEX OF INCOME VELOCITY,  
SELECTED COUNTRIES, 1957 AND 1958

|                              | Money Supply <sup>1</sup> |      | Bank Credit to Private Sector <sup>1</sup> |                 | Net Bank Credit to Government <sup>1, 2</sup> |                  | Index of Income Velocity <sup>3</sup><br>(1956=100) |                  |
|------------------------------|---------------------------|------|--|-----------------|---|------------------|---|------------------|
|                              | 1957                      | 1958 | 1957                                       | 1958            | 1957  | 1958             | 1957  | 1958             |
| Australia                    | 5                         | -3   | 3  | 9               | 1   | 3                | 108 <sup>4</sup>                                    | 107 <sup>4</sup> |
| Austria                      | 8                         | 11   | 13   | 7 <sup>5</sup>  | 20  | 26               | 103   | 100              |
| Belgium-Luxembourg           | —                         | 6    | 7  | -16             | -5  | 6                | 103   | ...              |
| Canada                       | 4                         | 13   | 4  | 3               | 4   | 35               | 106   | 98               |
| Denmark                      | 4                         | 14   | 4 <sup>6</sup>                             | 8 <sup>6</sup>  | ...   | ...              | 103   | 96               |
| France                       | 9                         | 6    | 14   | 6               | 25  | 3                | 102   | 98               |
| Germany, Federal Republic of | 12                        | 13   | 11   | 14              | ...   | ...              | 98  | 92               |
| Italy                        | 6                         | 10   | 9  | 7               | 5   | 11               | 100 <sup>7</sup>                                    | 98 <sup>7</sup>  |
| Japan                        | 4                         | 13   | 23   | 17              | 2   | 27               | 102 <sup>7</sup>                                    | 95 <sup>7</sup>  |
| Netherlands                  | -2                        | 12   | 6  | -3              | -8  | 13               | 112   | 108              |
| New Zealand                  | —                         | -6   | 13   | -2              | 9   | -3               | 102 <sup>8</sup>                                    | ...              |
| Norway                       | —                         | 1    | 4  | 4               | 3   | -3               | 104   | 104              |
| Sweden                       | 2                         | 1    | 2  | 8               | 25  | 4                | 103   | 106              |
| Switzerland                  | 3                         | 11   | 5  | 4               | 33  | 27               | 101   | ...              |
| Union of South Africa        | 2                         | -3   | 14   | -4              | 10  | —                | 101   | ...              |
| United Kingdom               | -1                        | 2    | -1 <sup>9</sup>                            | 19 <sup>9</sup> | 6 <sup>10</sup>                               | -1 <sup>10</sup> | 105   | 111              |
| United States                | -1                        | 4    | 4  | 5               | 1   | 13               | 105   | 103              |

Sources: Based on data from International Monetary Fund, *International Financial Statistics; Monatsberichte des Österreichischen Instituts für Wirtschaftsforschung*, March 1959 (Vienna); Dominion Bureau of Statistics, *Weekly Bulletin*, March 26, 1959 (Ottawa); Økonomiske Sekretariat, *Economic Survey, 1959* (Copenhagen); Ministero del Tesoro, *Relazione Generale Sulla Situazione Economica del Paese, 1957 and 1958* (Rome); The Bank of Kobe, Ltd., *Monthly Survey*, December 1958; Centraal Planbureau, *Centraal Economisch Plan, 1959* (The Hague); Statistisk Sentralbyrå, *Statistiske Meldinger* (Oslo); Ministry of Finance, *Preliminary National Budget for 1959* (Stockholm).

<sup>1</sup> Changes are from end of one year to end of following year.

<sup>2</sup> Monetary system's claims on government less government deposits is used to measure net borrowing of the central government from the banking system. In Austria, credit from the Treasury to the banking system is treated as government deposits, and transactions of official entities are included. In Canada, Japan, the Netherlands, Norway, the Union of South Africa, and the United States, transactions of local government authorities are also included.

<sup>3</sup> Income velocity is the ratio of gross national product to money supply (average of end-of-month data).

<sup>4</sup> Year ended June 30.

<sup>5</sup> Change from September 1957 to August 1958.

<sup>6</sup> Bank credit to private sector and to government.

<sup>7</sup> Money supply is average of end of quarters.

<sup>8</sup> Year beginning April 1.

<sup>9</sup> Changes in "other" banks' (London clearing banks) claims on business and individuals.

<sup>10</sup> Bank of England domestic loans and investments to government plus "other" banks' domestic loans and investments to government.

business loans was more than offset by an upswing in real estate and farm loans, mainly in the second half of the year.

Net bank credit to the public sector showed substantial increases over 1957 in many countries. In France and Sweden, however, the rate of public borrowing from the banking system declined significantly, and in the United Kingdom and Norway net government borrowing declined. In the United States, public sector net borrowing from the banking system was negative in the first quarter; in the second quarter it rose by \$4.4 billion, in the third quarter by \$5.8 billion, and in the last quarter of the year by \$3.2 billion. In the first quarter of 1959, it fell by \$3.6 billion.

In most industrial countries the money supply expanded more rapidly during 1958 than during 1957. In Denmark the rate of expansion was the highest since the war, in the Netherlands since 1947, and in Canada since 1950. Only in France and Sweden was the rate of increase lower than in 1957. In New Zealand, the Union of South Africa, and Australia, the money supply declined. The income velocity of money, however, after increasing in 1956 and 1957, declined in many industrial countries during 1958, thus offsetting to some extent the effect of increased money supplies on the demand for goods and services.

### *Fiscal Policies*

The recessionary tendencies appearing in many countries in 1957-58 were to some extent counteracted by the "built-in stabilizers" of the fiscal system. While government revenues tended to decline, expenditures on unemployment benefits increased automatically. Both tendencies helped to sustain private expenditures. New tax measures designed to combat the slackening in activity were generally selective rather than sweeping, and frequently aimed not only at maintaining demand but also at supporting some particular sector or enhancing the efficiency or competitiveness of the economy. On the other hand, in many countries there was a

more than normal increase in government expenditures, though there was no large-scale recourse to public works.

Tax reduction, including a 9 per cent reduction in income taxes, was a part of Canada's program for budgetary stimulation of the economy. Increases in income and indirect taxes, however, were imposed by the Canadian budget of 1959-60. No other industrial country granted broad tax concessions until 1959. In Germany, a number of tax reforms were designed to contribute to a revival of the capital market and ultimately to stimulate investment. In order to encourage private fixed investment, the Netherlands reinstated rebates on new investment outlays that had previously been abolished, and the United Kingdom raised its initial depreciation allowances. It was not until the budget presented in April 1959, however, that the U.K. authorities felt that sufficient progress had been made in restoring the strength of the balance of payments and the stability of the domestic price level to permit tax reductions over a broad front.

In the United States, increased government expenditures for public construction, unemployment compensation, agricultural price support, and defense were strategic factors in the recovery. In Canada, there was a considerable expansion of housing loans and welfare expenditures. Other countries also, e.g., the Netherlands, Norway, Austria, and Italy, accelerated public expenditures, mostly for purposes for which they had been held back during the boom. Belgium planned to increase public investment and welfare expenditures in 1959, and also to grant some fiscal concessions to weak sectors of the economy.

These fiscal developments resulted in enlarged over-all budget deficits in most of these countries. As the private sector demanded fewer funds while liquidity increased, it became possible in some countries to finance these deficits to a large extent without recourse to central banks. In the United Kingdom, an increase in public expenditures in 1958-59 was more than matched by a rise in revenues, so that the over-all budget deficit for the year was slightly smaller than in the previous year. In Germany, there was a substantial cash deficit in the federal budget, because of sub-



stantial payments to foreign countries; however, there continued to be a surplus in domestic cash transactions.

In several countries taxes were increased and subsidies were reduced or eliminated to prevent increased expenditure for public investments and unemployment relief from giving rise to unduly large budget deficits. In Sweden, for example, increased public investment and welfare expenditures resulted in an increased overall budget deficit, and in consequence the Government envisaged higher indirect taxes for the fiscal year 1959-60.

### Domestic Financial Developments and Policies in the Primary Producing Countries

Since the end of World War II, many of the primary producing countries have been subject to strong and persistent inflationary pressures. In the endeavor to accelerate the growth of their productive resources, many of them have permitted money and credit to expand much faster than current real output. Of some 40 less developed countries, for which comparable records are available, there are 25 in which, during the period from 1948 to 1957, the average annual increase in the money supply was 10 per cent or more, and 19 in which the average annual increase in the cost of living exceeded 5 per cent. In several countries, both rates were in excess of 20 per cent. Moreover, in most of these countries, with a few exceptions such as Venezuela and Mexico, the increase in the money supply developed despite a substantial decline in their gold and foreign exchange reserves, and despite the foreign financial assistance which many of them received.

The urge for rapid economic growth, of which these inflationary tendencies are often a by-product, is very powerful in many parts of the world today. Some of the less developed countries have made substantial progress, even in a few cases when hampered by the distortions created by inflationary pressures. In others, however, inflationary pressures have resulted in little more than an

appearance of feverish activity, while real output and income were actually stagnating, or were expanding only at an unsatisfactory rate. Experience has shown that one of the foremost problems that confronts such countries is the establishment of financial stability, both internal and external, as a necessary—although not a sufficient—condition for sound and accelerated economic development.

During 1958, for a variety of reasons, including the inadequacy of foreign exchange resources, several countries, such as India and the Philippines, found it necessary to scale down their development expenditures. For many of the other less developed countries, the continued though partially abating fall in the prices of primary products and the consequent deterioration in their terms of trade increased during the last two years the difficulties of promoting economic development in conditions of monetary stability. Under such circumstances, moreover, the servicing of past foreign borrowing is likely to become increasingly burdensome. These price trends not only reduced the volume of real resources available for consumption and investment, but also affected adversely the financial position of governments. Much of the public revenue of these countries comes from import and export duties and similar charges, and any decline in the value of exports and any corresponding reduction in imports required in order to maintain balance of payments equilibrium also tend to reduce the resources available to the government. Similar consequences followed the efforts made in a number of countries, such as India, Peru, and the Sudan, to soften the impact of declining prices on domestic producers by cutting export duties. In some countries, particularly those which produce coffee or tin, the expenditure required to finance stockpiling in an effort to prevent sharp price declines further reduced the resources available for other purposes. The revenue effects of reduced imports were offset, wholly or in part, in some countries by increasing existing import duties or imposing new ones or by depreciating the import exchange rate. Some countries revised upward their income and other taxes.

Despite the handicaps under which they labored in 1958, several of the less developed countries actually reduced their government deficits, and in some of them, notably Bolivia, India, Pakistan, and Turkey, the rate of monetary expansion was less than in previous years. In Ecuador, Nicaragua, and the United Arab Republic (Egyptian Region), the money supply was reduced (Table 15). The cost of living rose less than in previous years in Israel and Paraguay, and in several countries, e.g., Burma, Ceylon, Ecuador, and Pakistan, it declined.

A few countries—Argentina, Haiti, Honduras, Israel, and the Philippines—endeavored to limit the expansion of bank credit by raising bank reserve requirements; Mexico extended these requirements to both the peso and the foreign liabilities of private finance companies. Ecuador, on the other hand, reduced reserve requirements in order to make more credit available to the private sector, but at the same time contracted bank credit to the Government. Advance deposit requirements for imports were increased in Chile, Paraguay, and Indonesia; and in some countries, advance deposit requirements denominated in local currency were automatically increased by depreciation of the exchange rate. India and a number of other countries, with varying degrees of success, restricted credit by maintaining general or selective credit ceilings and directives for banks. Some countries, e.g., Mexico and Turkey, took steps to eliminate or reduce the use made by state enterprises of central bank credit and government subsidies. Only a few of the less developed countries raised their official discount rates in 1958 or early 1959—Brazil to 8 per cent, Pakistan to 4 per cent, and the Philippines to 6½ per cent.

Notwithstanding the realization that is now fairly general that sound economic development is not compatible with the distortions that rapid or chronic inflation always creates, a number of the less developed countries have had great difficulty in abating or slowing down the rate of inflation (Table 15). Some of these countries have adopted comprehensive integrated plans for stabilizing the economy in order to create a climate more likely to stimulate domestic saving and to attract an inflow of foreign capital.

TABLE 15. PERCENTAGE CHANGES IN COST OF LIVING, MONEY SUPPLY, AND BANK CREDIT, SELECTED COUNTRIES, 1953-58<sup>1</sup>

|  | Cost of Living  |      |      | Money Supply    |      |                | Net Bank Credit to Government |                 |                   | Bank Credit to Private Sector |      |                 |
|--|-----------------|------|------|-----------------|------|----------------|-------------------------------|-----------------|-------------------|-------------------------------|------|-----------------|
|  | Average 1953-56 | 1957 | 1958 | Average 1953-56 | 1957 | 1958           | Average 1953-56               | 1957            | 1958              | Average 1953-56               | 1957 | 1958            |
| Argentina                              | 10              | 26   | 50   | 19              | 12   | 46             | 11                            | 23              | 89                | 20                            | 18   | 32              |
| Bolivia                                | 220             | -14  | 19   | 127             | 51   | 1              | 153                           | 65              | 37                | 81                            | 123  | 24 <sup>2</sup> |
| Brazil                                 | 21              | 14   | 23   | 20              | 34   | 21             | 26                            | 45              | 21                | 18                            | 23   | 23              |
| Burma                                  | 4               | 8    | -16  | 23              | -18  | 19             | ..                            | -7              | 12                | 10                            | 37   | -21             |
| Ceylon                                 | —               | 5    | -1   | 6               | -8   | 4              | ..                            | 27              | 17                | 16                            | 17   | 9               |
| Chile                                  | 62              | 17   | 33   | 50              | 25   | 37             | 36                            | 47              | 23 <sup>2</sup>   | 44                            | 42   | 21              |
| Colombia                               | 6               | 23   | 8    | 16              | 14   | 21             | 78 <sup>3</sup>               | 48              | 2                 | 24 <sup>3</sup>               | 16   | 15              |
| Ecuador                                | —               | 2    | -1   | 7               | 4    | -1             | 54                            | -47             | -50               | 17                            | 15   | 7               |
| India                                  | 2               | 4    | 5    | 6               | 4    | 3              | 13                            | 31              | 21                | 13                            | 15   | 2               |
| Indonesia                              | 14              | 55   | 18   | 20              | 41   | 55             | 28                            | 45              | 50                | 20                            | -7   | 46              |
| Israel                                 | 9               | 5    | 4    | 19              | 11   | 14             | 19                            | 10              | -25               | 24                            | 19   | 26              |
| Korea                                  | ...             | -7   | 5    | 75              | 16   | 35             | 135                           | 20              | 10                | 103                           | 48   | 43              |
| Mexico                                 | 5               | 14   | 8    | 14              | 7    | 7              | 4                             | 39              | 29                | 12                            | 10   | 19              |
| Nicaragua                              | 6               | 1    | 3    | 11              | -2   | -3             | 4                             | 4               | 4                 | 28                            | -5   | 3               |
| Pakistan                               | 1               | 12   | -10  | 11              | 6    | 5              | 14                            | 23              | 9                 | 12                            | 3    | 2               |
| Paraguay                               | 22              | 15   | 4    | 34              | 3    | 20             | 14                            | 8               | 35                | 61                            | 3    | 4               |
| Peru                                   | 4               | 8    | 9    | 11              | 4    | 7              | 9                             | 35              | 17                | 15                            | 13   | 3               |
| Philippines                            | -1              | 1    | 1    | 6               | 7    | 9              | 18                            | 43              | 16                | 13                            | 21   | 5               |
| Turkey                                 | 9               | 14   | 26   | 21              | 29   | 6 <sup>5</sup> | 21 <sup>6</sup>               | 21 <sup>6</sup> | 17 <sup>5</sup> 6 | ...                           | ...  | ...             |
| United Arab Republic (Egyptian Region) | —               | 3    | -1   | 3               | —    | -6             | 25                            | 17              | -2                | 10                            | 14   | 12              |
| Venezuela                              | —               | 1    | 2    | 10              | 32   | 10             | ...                           | -80             | 72                | 23                            | 44   | 16              |

Source: International Monetary Fund, *International Financial Statistics*.

<sup>1</sup> Changes are from end of one year to end of following year.

<sup>2</sup> Change from November 1957 to November 1958.

<sup>3</sup> Average of percentage changes from 1954 to 1956.

<sup>4</sup> In Nicaragua, the Government is a net lender to the banking system. Only in 1956 and 1958 did bank indebtedness to the Government decrease; in the other years, it increased.

<sup>5</sup> Change from end of 1957 to November 1958.

<sup>6</sup> Total bank credit.

Several of these programs were designed in close cooperation with the Fund, and their implementation was usually facilitated by financial assistance from both the Fund and other sources, any assistance from the Fund being necessarily, in accordance with its Articles of Agreement, of a short-term character. Thus the Fund's role in connection with such programs is twofold. First, if it is requested by a member country to do so, it gives technical advice in the formulation of the program. Second, the Fund agrees to the use of its resources in support of programs which, if resolutely carried out, appear likely to be reasonably effective in restoring economic and financial stability.

At every stage of development, fiscal policy, credit policy, exchange policy, and wage policy all have a direct impact on the rate of growth that can be sustained. Most stabilization programs accordingly call for simultaneous reforms in all these fields. Fiscal reform aims at reducing or holding the level of expenditure while taxation is increased, with any remaining budgetary gap financed either from noninflationary domestic borrowing or from the domestic currency proceeds of foreign grants or credit. Monetary reform is directed primarily at limiting bank credit to an order of magnitude that can be safely absorbed without inflation or chronic disequilibrium in the balance of payments. Reserve requirements may be increased, central bank credit to commercial banks curtailed, or credit ceilings imposed on commercial banks.

In most of the stabilization programs, new exchange systems have been established which are intended to permit wider scope for market forces in determining a realistic exchange rate and in allocating foreign exchange between different uses. The effective operation of these systems is sometimes hampered by the existence at the time of their establishment of very large central bank commitments to deliver foreign exchange in accordance with contracts already negotiated.

The difficulties in the way of sustained economic development are particularly acute in countries which have to start from a very low average level of income, and where therefore the scope for domestic capital formation is very limited. Also, as a result of

their past history, there are often psychological and institutional factors in the less developed countries which impede the adoption of some of the measures that are essential for satisfactory development. Moreover, in general, stabilization programs have been adopted by countries where prolonged inflation has already caused serious dislocation in the structure of their economies. In such countries, stabilizing measures are likely to encounter special difficulties. During periods of prolonged inflation, investment in certain sectors, which from a long-run standpoint usually are relatively less productive sectors, tends to be overexpanded, and certain groups accordingly acquire a vested interest in inflation. Sectional resistances to the readjustments and sacrifices that are involved have been an important obstacle to the successful operation of some of the stabilization programs. The resistance may actually be so strong as to make it difficult for the monetary authorities to enforce restrictive credit policies on private banks, or even, in some countries, on state banks. Weaknesses of administration and in the legal framework for monetary and fiscal policy have impeded the operation of some programs, and some countries have taken steps to improve the legal and administrative framework within which stabilization measures have to be applied.

A sympathetic understanding of the objectives of a stabilization program by both business and trade union groups is essential if the resistances to stabilization measures are to be overcome. The difficulties are particularly great where, prior to adoption of the program, the standard of living has been maintained by depleting the real capital of the economy. The temporary deterioration of the standard of living, which in such circumstances is inevitable, may be interpreted by some sections of the public as an indication of the failure of the program, and give rise to claims for prompt upward adjustments in wages and salaries and for more liberal credit terms, which, if granted, will again generate inflationary pressures. Nevertheless, there is a growing awareness of the importance of monetary stability. Governments have intensified their efforts to impress the urgency of temporary austerity upon the public, who have now had a long experience of the disruptive

effects of inflation, and these efforts have begun to yield positive results, with a stronger legal and institutional framework for monetary policy and more effective central bank control of the financial system. Even when initial attempts to stabilize the economy have been less successful than was anticipated, or when setbacks have occurred, governments have continued their efforts.

The experience of all the less developed countries where stabilization programs have been adopted—such as Argentina, Bolivia, Chile, Nicaragua, Paraguay, Peru, and Turkey—suggests that the most important requirement for credit policy is to ensure that credit creation, for either the public or the private sector, will not be carried beyond permissible limits. A crucial condition for the lasting success of these programs is the ability of governments to refrain from inflationary deficit financing and to maintain credit restrictions until inflation psychology has given way to confidence in monetary stability. Once this confidence has been established, pressures on governments are likely to diminish. The enforcement of stabilizing financial policies will then become less difficult, especially since the establishment of monetary stability should stimulate domestic production after the first shock reaction to austerity measures has been overcome.

## IV

# Domestic Financial Developments and External Payments in Selected Groups of Countries

## Manufacturing Countries

### UNITED STATES

#### *Internal Developments*

**T**HE recession in the United States in the second half of 1957 and the first quarter of 1958, though short, was somewhat deeper than any previous recession in that country over the last twenty years. For 1958 as a whole, real gross national product (GNP) was about 3 per cent less than in 1957. In the second quarter of 1958, output began to recover, and this improvement became a renewed expansion in 1959; in the first quarter of 1959 the seasonally adjusted GNP in real terms was some 2 per cent above the level attained in mid-1957.

After declining by 13 per cent from August 1957 to April 1958, industrial production at first rebounded more sharply than in 1954-55. Subsequently, the rate of recovery was more moderate; by the end of May 1959, industrial production was 5 per cent above the prerecession peak. Nonagricultural employment, which by April 1958 had declined by more than 5 per cent, rose by 4 per cent to mid-May 1959. Unemployment (seasonally adjusted),



which for two years prior to the third quarter of 1957 had been fairly stable at about 4.2 per cent of the civilian labor force, rose by April 1958 to 7.5 per cent of the labor force. It remained at about that level until the last quarter of 1958; by May 1959 it had declined to 4.9 per cent.

Prices continued to rise during the recession at almost the same rate as during the preceding period of gently rising output from the end of 1955; from the second quarter of 1958, when recovery began, prices leveled off. Thus, wholesale prices rose from August 1957 to March 1958 at an annual rate of more than 2 per cent and then remained at practically the same level through May 1959. From August 1957 to March 1958, consumer prices rose more sharply, at an annual rate of almost 4 per cent, and then rose very little through April 1959. These movements were the result of a combination of several factors: a fairly steady rise in rent, transportation prices, and medical service; inflexibility in the prices of most manufactured goods throughout recession and recovery; and the behavior of food prices, which on the whole was countercyclical, these prices rising during the latter part of the recession and falling from mid-1958 under the influence of supply factors.

During the recession, business expenditures on plant and equipment and on inventories declined. The upturn took place as the rate at which inventories were being reduced slowed down. Even after recovery had begun, expenditures on plant and equipment rose only moderately, and by the second quarter of 1959 they were still appreciably below the previous peak value. For 1958 as a whole, business investment in plant and equipment was about \$6 billion less than in 1957 and the decline in inventory investment was almost as great. Exports of goods and services in 1958 were \$3.6 billion less than in 1957, while imports remained virtually unchanged. Consumer expenditure was well sustained throughout the recession, despite the flagging demand for automobiles, and government expenditure on goods and services continued to rise. Each of these categories of expenditure increased from 1957 to 1958 by about \$6 billion. A further factor aiding

recovery was the rise in residential construction from the second quarter of 1958.

Developments in government finance helped considerably in ensuring the comparative resilience of the U.S. economy in 1958. Public expenditures were nearly \$8 billion more than in 1957, while receipts were nearly \$4 billion below the previous year. The aggregate government deficit, federal, state, and local, in 1958 amounted to more than \$10 billion, in contrast to a surplus of nearly \$2 billion in 1957. Three quarters of the increase in government expenditure was in purchases of goods and services; the remainder was in government transfer payments, such as unemployment compensation and other social security benefits. These fiscal developments were largely responsible for the maintenance of disposable personal income, which declined only slightly in the latter months of 1957 and the early months of 1958.

Money and credit policies contributed in various ways to mitigate the downswing and, in particular, to stimulate recovery. Federal Reserve discount rates, which had been raised to 3½ per cent in the summer of 1957, were reduced by several steps to 1¾ per cent in April 1958. In the closing months of 1957, Federal Reserve open market operations, together with other factors, produced a rapid reduction of member bank borrowing. Reserve requirements were reduced in the early part of 1958 and this, together with some decline in cash in circulation, led to a rise in the net free reserves of member banks.

Substantial open market purchases by the Federal Reserve Banks in the second quarter of 1958 exceeded the amount needed to offset the outflow of gold during that period. The commercial banks made heavy purchases of U.S. Government securities in the spring and summer of 1958, and in the fourth quarter increased substantially their loans to the private sector in response to the rising demand for credit. Owing to this expansion of commercial bank credit, there was an increase during 1958 of about 5 per cent in demand deposits and of 4 per cent in the money supply as a whole. The total increase in the domestic assets of the banking system during that year was about \$17 billion. The

monetary expansion, however, was held within limits. After mid-1958, open market operations supplied only a portion of the reserves needed to meet rising demands for credit and to offset the continued gold drain, and commercial bank reserves were maintained only by increased borrowing from the Reserve Banks. Market rates of interest rose by the end of 1958 almost to the prerecession level, and the official discount rate was raised by four steps, beginning in September 1958, until in May 1959 it reached 3½ per cent.

During the recovery after mid-1958, there were some expectations of a return of inflation in response to some of the forces that appeared to underlie the long-term upward trend of prices, and especially if during the period of cyclical recovery there was to be a continued budget deficit. These expectations were a factor in the steep rise in stock prices, which continued throughout 1958 and into 1959.

#### *External Payments Developments*

The balance of payments of the rest of the world with the United States improved during the recession of 1957-58; beginning with the last quarter of 1957 it showed a surplus, in contrast to deficits in the four preceding quarters. During the period of recovery, the surplus continued to grow until the last quarter of 1958, when it declined slightly. In the first quarter of 1959 the surplus declined still more sharply. As a result of these movements, monetary authorities abroad, who had transferred some \$1.4 billion of gold and dollars to the United States in 1957, increased their holdings of gold and U.S. dollars in 1958 by \$2.9 billion (Table 16). U.S. expenditures abroad for imports and other items showed unexpectedly little decrease during the recession and only a small increase in the second half of 1958. The behavior of the balance of payments in 1958 is therefore to be explained in terms of changes in foreign expenditure on U.S. exports and on the accumulation of long-term and short-term claims in the United States; this expenditure declined heavily from the first half of 1957

TABLE 16. UNITED STATES: SUMMARY OF BALANCE OF PAYMENTS, 1956-58<sup>1</sup>

(In millions of U.S. dollars)

|  | 1956    | 1957    | 1958    | 1957          |               | 1958          |               | 1959          |
|--|---------|---------|---------|---------------|---------------|---------------|---------------|---------------|
|  |         |         |         | Jan.-<br>June | July-<br>Dec. | Jan.-<br>June | July-<br>Dec. | Jan.-<br>Mar. |
| Government transactions <sup>2</sup>                       | -5,395  | -5,694  | -5,874  | -3,123        | -2,571        | -2,960        | -2,914        | -1,325        |
| Private current transactions                               |         |         |         |               |               |               |               |               |
| Exports: Merchandise                                       | 17,354  | 19,364  | 16,208  | 10,253        | 9,111         | 8,232         | 7,976         | 3,741         |
| Services   | 5,851   | 6,628   | 6,227   | 3,236         | 3,392         | 2,895         | 3,332         | 1,436         |
|  | 23,205  | 25,992  | 22,435  | 13,489        | 12,503        | 11,127        | 11,308        | 5,197         |
| Imports: Merchandise                                       | -12,804 | -13,291 | -12,946 | -6,641        | -6,650        | -6,305        | -6,641        | -3,607        |
| Services <sup>3</sup>                                      | -4,182  | -4,499  | -4,670  | -2,089        | -2,410        | -2,172        | -2,498        | -1,048        |
|  | -16,986 | -17,790 | -17,616 | -8,730        | -9,060        | -8,477        | -9,139        | -4,655        |
| Balance  | 6,219   | 8,202   | 4,819   | 4,759         | 3,443         | 2,650         | 2,169         | 542           |
| Private capital transactions                               |         |         |         |               |               |               |               |               |
| U.S. capital, net outflow                                  | -2,990  | -3,175  | -2,844  | -2,177        | -998          | -1,667        | -1,177        | -394          |
| Foreign capital, net inflow                                |         |         |         |               |               |               |               |               |
| Long-term  | 530     | 361     | 24      | 293           | 68            | -2            | 26            | 60            |
| Short-term <sup>4</sup>                                    | 872     | 959     | 534     | 593           | 366           | 477           | 57            | 640           |
| Balance  | -1,588  | -1,855  | -2,286  | -1,291        | -564          | -1,192        | -1,094        | 306           |
| Errors and omissions                                       | 643     | 748     | 441     | 593           | 155           | 310           | 131           | 205           |
| Gold and dollar transfers to official holders <sup>5</sup> | 121     | -1,401  | 2,900   | -938          | -463          | 1,192         | 1,708         | 272           |
| Of which gold sales by the United States                   | -281    | -772    | 2,294   | -660          | -112          | 1,458         | 836           | 144           |

Sources: U.S. Department of Commerce, *Survey of Current Business*; Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*; International Monetary Fund, *International Financial Statistics*.

<sup>1</sup> Excluding military aid and commodity transfers financed by it.

<sup>2</sup> U.S. military expenditures (including offshore purchases), grant aid other than military, net U.S. Government foreign lending, net income from U.S. Government investments abroad, miscellaneous government services, and pension transfers.

<sup>3</sup> Including private donations.

<sup>4</sup> Including estimated private holdings of U.S. Government securities and change in U.S. short-term liabilities to private foreign holders, including international organizations other than the International Monetary Fund (IMF), the European Payments Union (EPU), and the Bank for International Settlements (BIS).

<sup>5</sup> Including official holdings of gold and short-term dollar balances and estimated official foreign holdings of U.S. Government securities. Official holders include the IMF, the EPU, and the BIS. Minus sign indicates transfer to the United States.

to the first half of 1958 and showed no recovery during the rest of the year.

Despite the recession, U.S. imports in 1958 were only about 1 per cent lower in value, and their volume was actually 4 per cent higher, than in 1957, the increase in volume contrasting sharply with the decline of 7 per cent in the previous recession from 1953 to 1954. The main reasons for the increased volume of imports were the maintenance of consumer demand in the United States and the continued competitive success of foreign manufactures in the U.S. market. Imports of crude petroleum, restricted by voluntary quotas, remained the same in volume as in 1957, while imports of refined products rose sharply. Imports of other crude and semimanufactured materials declined by some 5 per cent in volume and 13 per cent in value. Imports of foodstuffs increased in volume, and imports of sugar and meat rose even in value, partly on account of the decline in sugar supplies from Hawaii and Puerto Rico and of a reduction in the number of cattle slaughtered in the United States. The upward trend in imports of manufactures actually became steeper from 1957 to 1958; payments for manufactures as a whole rose by 11 per cent, those for automobiles alone by more than 60 per cent. The greater availability of supplies from Europe and Japan and an increased preference for foreign automobile styles were important factors in these increases. As a result of the great diversity of the influences that affected the different import categories, payments for imports from manufacturing countries rose by some 8 per cent, whereas those to primary producing areas fell by some 5 per cent.

U.S. Government expenditure abroad rose slightly from 1957 to 1958, as a result of a minor increase in military outlays; the net outflow of loans and grants remained unchanged. There were some shifts, however, in both the area distribution and the type of lending: Loans to Western Europe fell, while those to Latin America rose by roughly \$300 million. Government lending arising out of sales of agricultural surpluses was lower, and disbursements by the Export-Import Bank were greater, than in 1957.

After being exceptionally high in 1957, the net outflow of private capital from the United States declined in 1958 by 10 per cent; this was the net result of a 50 per cent decline in direct investment and considerable increases in other forms of long-term capital outflow. The reduction in direct investment, largely in the petroleum industry, was accounted for in part by the completion of pipelines in Canada and the nonrecurrent character of the large payments made in 1957 for oil concessions in Venezuela. However, direct investment in other industries and countries, mainly in Latin America, was also much lower in 1958 than in 1957.

For new issues of foreign securities, 1958 was a postwar record year, when, in addition to IBRD bonds and Canadian securities, there were also considerable flotations from other countries. In the second half of 1958 and the early months of 1959, the tightening of the capital market and the rise of interest rates in the United States at a time when interest rates were falling in most other world financial centers caused a reduction in the outflow of U.S. private capital through new issues of foreign securities and through medium- and short-term credits.

In contrast to the comparative stability of U.S. imports, U.S. Government expenditures abroad, and U.S. foreign investment, there was a decline of \$3.6 billion in the value of U.S. exports of goods and services, and of more than \$750 million in the inflow of foreign capital into the United States. U.S. merchandise exports, which had risen from 1955 to 1957 by some 27 per cent in volume, fell from 1957 to 1958 by 16 per cent in both volume and value, with practically no change in average export prices. The abnormally high demand for U.S. fuel, cotton, and wheat, which had stimulated exports in 1957, disappeared in 1958; U.S. exports were also influenced by the slackening of activity in the other main industrial areas of the world and by the detrimental effects on the payments positions of less industrialized countries of significant declines in the prices of their export commodities. U.S. exports to Europe, Japan, and Canada declined by nearly 20 per cent, or \$2 billion, the decline beginning in the first half of 1957 and continuing through the first half of 1958; in the second half of 1958,

these exports were roughly the same as in the first half. Exports to primary producing areas, on the other hand, were well maintained throughout 1957 but declined steadily during 1958. The exports which declined most from 1957 to 1958 were those of crude and semimanufactured materials, which were strongly affected by European demand. The value of exports of cotton, petroleum, and coal fell by more than one third, and of iron and steel semimanufactures by more than one half. In the last six months of 1958, exports of manufactures also fell considerably as a result of declining demand from primary producing countries.

Both long-term and short-term investment in the United States from abroad was markedly less in 1958 than in 1957. The abrupt decline in the long-term capital inflow, primarily from Western Europe, which set in after mid-1957 was in part related to the decline on U.S. stock exchanges in the second half of that year, while the tighter conditions in the money markets of Western Europe also had an effect; the rising market in 1958 did not succeed in attracting foreign funds, possibly because yields were lower than in foreign markets. The reduction in 1958 of the net inflow of short-term funds from the high level of the preceding two years may be attributed, in large measure, to the cessation of speculative capital movements as sterling and other European currencies became stronger. The considerable decline in Errors and Omissions, the residual item in the balance of payments, furthermore suggests that, for much the same reason, an unrecorded net inflow of capital in 1957 may have been reversed in 1958.

For reasons relating both to current and to capital items, the improvement from 1957 to 1958 in the balance of payments of the rest of the world with the United States was confined largely to the industrial countries and to Canada. There was relatively little change between the two years in the balance on direct transactions of either the Western European dependencies or Latin America with the United States. For other primary producing countries the balance on such transactions may in the aggregate have improved slightly.

In the first quarter of 1959, the U.S. surplus on private current transactions continued to decline and was some \$700 million lower than the quarterly average of 1958. The decline was attributable in roughly equal proportions to greater imports and smaller exports. The rise in imports, though largely reflecting the swift expansion of industrial activity, resulted in part from restocking of coffee and anticipatory purchases of petroleum prior to the entry into force of quota restrictions. The decline in exports to Latin American markets, where capital imports had fallen, was particularly severe.

The decline in the U.S. current balance was more than offset by a greatly increased inflow of foreign, and a reduced outflow of U.S., capital, both of which may have been influenced by the relative rise of U.S. interest rates. The inflow of foreign capital was swollen by an increase of \$340 million in the dollar balances held by foreign banks, mainly German, and by German prepayments for military supplies. Advance repayments of \$150 million of German debts were largely responsible for a reduction in net government spending. Transfers of gold and dollars to official holders in the first quarter of 1959 amounted to \$270 million.

#### UNITED KINGDOM

From mid-1955, the U.K. Government imposed various restraints on the growth of domestic demand in an effort to achieve price stability and to strengthen the balance of payments. These disinflationary policies, which were intensified in 1957, made a significant contribution toward slowing down the rise of prices and costs and contributed to a radical improvement in the balance of payments, but the decline in the rate of growth of output started earlier in the United Kingdom than in other industrial countries. The Government took steps in the latter part of 1958 which were designed to revive home demand.

After rising slightly in the two previous years, aggregate production changed very little from 1957 to 1958, but real income increased as a result of improvement in the terms of trade. Per-



sonal consumption rose by more than 2 per cent in real terms, but this increase was more than outweighed by a large decrease in inventory investment and smaller decreases in exports and in the current expenditure of public authorities on goods and services. Industrial production fell by about 1 per cent from 1957 to 1958, while industrial capacity continued to expand. By 1958, there was considerable excess capacity in several major industries. Labor productivity changed very little. Unemployment rose until in mid-January it reached a seasonal peak of 3 per cent, a rate low by comparison with many other countries but the highest for the United Kingdom since the fuel crisis of 1947. By April the unemployment rate had declined to about 2½ per cent.

The rise in retail prices slowed down from more than 4 per cent during 1957 to nearly 2 per cent during 1958. Prices of industrial output, which had risen by 3 per cent in 1957, were almost stable in 1958. There was a substantial fall in import prices after mid-1957, but, because of the decline in output, the increase in labor costs per unit of output was virtually the same as in 1957, although the rate of increase in wages was considerably less than in earlier years.

Steps were taken, especially after the middle of 1958, to permit an increase in demand by removing the ceiling on commercial bank advances, suspending restrictions on hire purchase, and discontinuing the control of domestic capital issues. Initial tax allowances for investment were raised in the 1958 budget, and increases in public investment programs were authorized later in the year. The tax concessions in the 1959-60 budget, estimated to cost £370 million in a full year, and increased capital expenditure were estimated to produce an over-all deficit of £721 million. Between March and November the bank rate was reduced by five stages, from 7 per cent to 4 per cent. Until mid-August, this was no more than a gradual alleviation of the severity of a 7 per cent rate, but the last two reductions formed part of the general easing of credit conditions. The money supply, which had remained approximately constant during the preceding three years, increased during 1958 by some 2½ per cent.

The U.K. over-all balance of payments, as shown in Table 17, improved between 1957 and 1958 by £475 million, of which £230 million represented an improvement in the balance on current account. In both years, the payments balance was much more favorable in the first half of the year than in the second; this movement is to some extent seasonal, but whereas in 1957 it had been due mainly to an especially sharp reduction in the second half of the year in the sterling holdings of overseas sterling countries, in 1958 it was due primarily to a decline in the current account surplus, which was exceptionally large in the first half of the year.

The improvement in the trade balance, which constituted much the greater part of the rise in the current account surplus between the two years, was due entirely to a decline in the cost of imports.

TABLE 17. INTERNATIONAL TRANSACTIONS OF THE UNITED KINGDOM, 1957 AND 1958

(In millions of pounds sterling)

|                                       | 1957          |               |                | 1958 <sup>1</sup> |               |                |
|---------------------------------------|---------------|---------------|----------------|-------------------|---------------|----------------|
|                                       | Jan.-<br>June | July-<br>Dec. | Entire<br>Year | Jan.-<br>June     | July-<br>Dec. | Entire<br>Year |
| Current account                       |               |               |                |                   |               |                |
| Merchandise trade                     | -25           | -33           | -58            | 141               | -21           | 120            |
| Invisibles <sup>2</sup>               | 139           | 145           | 284            | 186               | 149           | 335            |
|                                       | <u>114</u>    | <u>112</u>    | <u>226</u>     | <u>327</u>        | <u>128</u>    | <u>455</u>     |
| Investment account                    |               |               |                |                   |               |                |
| Long-term <sup>3</sup>                | -178          | -135          | -313           | -104              | -132          | -236           |
| Short-term                            | -20           | 20            | -              | 40                | -30           | 10             |
|                                       | <u>-198</u>   | <u>-115</u>   | <u>-313</u>    | <u>-64</u>        | <u>-162</u>   | <u>-226</u>    |
| Errors and omissions                  | 81            | 53            | 134            | 30                | -42           | -12            |
| Total                                 | <u>-3</u>     | <u>50</u>     | <u>47</u>      | <u>293</u>        | <u>-76</u>    | <u>217</u>     |
| Changes in overseas sterling holdings |               |               |                |                   |               |                |
| Overseas sterling area                | 69            | -225          | -156           | -76               | -6            | -82            |
| Other than sterling area <sup>4</sup> | -6            | -83           | -89            | 66                | 75            | 141            |
| Total                                 | <u>63</u>     | <u>-308</u>   | <u>-245</u>    | <u>-10</u>        | <u>69</u>     | <u>59</u>      |
| U.K. payments balance                 | 60            | -258          | -198           | 283               | -7            | 276            |

Sources: *United Kingdom Balance of Payments, 1956 to 1958* (Cmnd. 700) and Fund estimates.

<sup>1</sup> Preliminary.

<sup>2</sup> Includes interest payments due in 1957 on North American loans but not actually paid (second half 1957, -£37 million).

<sup>3</sup> Includes repayment of principal due in 1957 but not actually paid (second half, -£26 million); excludes drawing on line of credit from Export-Import Bank of Washington (second half 1957, £89 million).

<sup>4</sup> Excludes changes in sterling holdings of the International Monetary Fund (1957, £2 million; 1958, -£5 million) and German advance deposit of £68 million in second half of 1957.

Exports declined from 1957 to 1958 by about 3½ per cent in both volume and value. On the other hand, U.K. import costs benefited markedly in 1958 from the 8 per cent fall in import prices. The volume of imports remained practically constant between 1957 and 1958. While imports of raw materials and semi-manufactures declined substantially, owing to destocking by manufacturers, imports of food increased by 5 per cent and of finished manufactures by 8 per cent.

Both the decline in the volume of exports and the reduction in the cost of imports were associated with the fall in the prices received by exporters in the sterling area and other primary producing countries—and hence in their importing power. But whereas the fall in the prices of primary products had already affected the cost of imports in the first half of 1958, its effect on export receipts was largely delayed until the second half of the year. Had it not been for the dock strikes in May and June, which postponed the shipment of exports from the second to the third quarter, there would have been rather more than the usual seasonal decline in the volume of exports from the first to the second half of the year. On the other hand, there was a substantial increase in imports of food, materials, and fuel in the last quarter of the year. For these reasons, the exceptional trade surplus that appeared in the first half of 1958 was followed in the second half by a return to the more usual deficit.

The surplus on invisibles rose by more than £50 million between 1957 and 1958,<sup>1</sup> despite an increase of £73 million in the deficit on government transactions. Government receipts were reduced by lower defense aid and foreign military expenditures; and U.K. military expenditures increased by £20 million, mainly because of the reduction of German contributions to U.K. military expenditure in the Federal Republic. Net shipping earnings increased by about £60 million, the fall in freight rates having reduced expenditures more than earnings. An even larger improve-

---

<sup>1</sup> Interest on the North American loans, payment of which was postponed in 1957, is included here as a debit item both for that year and for 1958.

ment resulted from the recovery of net oil earnings, which had been cut back by the closure of the Suez Canal in the first half of 1957.

The balance of capital transactions was much more favorable to the United Kingdom in 1958 than in 1957. While there was little change in recorded net capital movements (other than changes in sterling holdings) vis-à-vis non-sterling countries, the United Kingdom's residual deficit in transactions with these countries (Errors and Omissions), in which capital movements are probably the most volatile element, fell by some £75 million. This probably reflects the fact that U.K. purchases of dollar securities via certain free markets in the sterling area, which had occurred in the first half of 1957, ceased in 1958. Moreover, the decline in the sterling holdings of non-sterling-area countries, which had been going on for several years, was reversed in 1958. This is to be attributed primarily to a recovery of confidence in sterling, though the rise in U.K. interest rates relative to those of other countries may also have played a part.

The statistical record of capital movements vis-à-vis other sterling countries is complicated by the U.K. purchases of dollar securities in the free markets of the rest of the sterling area in the first half of 1957. When the effects of these transactions are eliminated, the main changes from 1957 to 1958 appear to be a slight increase in the outflow of official long-term capital, a reduction in recorded short-term lending, which may be associated with the relative credit stringency in the United Kingdom, and a decline of some £140 million in the U.K. residual surplus in transactions with the overseas sterling area.

The sterling holdings of other sterling area countries continued in 1958 the decline that had begun in the second half of 1957, but at a rapidly diminishing rate; and in the fourth quarter of 1958, there was even some increase. The movements in this item are best explained in terms of the over-all payments developments of the sterling area countries, which hold the greater part of their reserves in sterling. For these countries as a group, exports to non-sterling countries and to the United Kingdom fell from 1957

to 1958 by some £380 million, mainly as a consequence of the fall in the prices of primary products. Part of this decrease was recouped on invisibles and on imports, which in some countries were curtailed for balance of payments reasons; but their current account deficit—with gold production treated as an export—increased between the two years by £175 million. This deterioration was outweighed, however, by an improvement of £325 million on account of other items, presumably of a capital nature. Part of the capital inflow into the overseas sterling area in 1958 was official borrowing undertaken as reserves declined. The overall payments deficit of the overseas sterling area thus appears to have declined from 1957 to 1958 by some £150 million, of which a part, £74 million, was reflected in smaller drawings on sterling holdings, another part in a reduction of net drawings from the International Monetary Fund, and the rest in an increased accumulation of gold and dollar reserves held separately by sterling area countries.

In the first four months of 1959 the United Kingdom again had a payments surplus, amounting to £120 million compared with some £230 million in the corresponding period in 1958. Despite a repurchase of £71 million from the Fund in March, reserves of gold and convertible currency continued to rise and by April 1959 they amounted to £1,161 million, an increase of 70 per cent above the lowest level in 1957. The balance of trade was rather less favorable than in the early months of 1958, imports being some 5 per cent higher in volume and exports about the same as in the year before. The growth in sterling holdings of overseas countries, which had been rapid in the last quarter of 1958, was checked in the first quarter of 1959. The slight decline was mainly due to a fall of £63 million in the holdings of OEEC countries from a peak at the end of 1958.

## FRANCE

The outstanding feature of the economic development of France in 1958 and the early part of 1959 was the considerable success

of the disinflationary measures that had been applied in restoring both internal and external equilibrium.

The measures taken in the second half of 1957 to reduce the budget deficit and to limit the expansion of credit were strengthened early in 1958. In February, the banks were instructed to limit the amount of credit outstanding; in July, the Government imposed further tax increases and new taxes so that in 1958 the *impasse*—i.e., the difference between the sum of the Treasury's firm commitments, whether for current expenditures or for investment, and the Treasury's receipts, whether taxes or repayments of prior advances—should not exceed the established limit which could be financed by loans from the public.

The deficit was reduced from F 1,041 billion in 1957 to F 695 billion in 1958, being financed in 1958 largely by long-term borrowing. During that year, bank credit to the Government and to the private sector increased much less than during 1957, and the money supply rose by 6 per cent, compared with 9 per cent in the previous year. Both the wholesale price index and the cost of living index had risen by about 13 per cent between June 1957 and January 1958 under the influence of the exchange rate adjustment of August 1957, the elimination of certain subsidies, and shortages of foodstuffs; during February-December 1958, the wholesale price index rose by less than 1 per cent and the cost of living index by less than 6 per cent. The fall in the prices of imported raw materials contributed to this stability. On the other hand, industrial production ceased to advance in the second quarter of 1958, and thereafter declined very slightly.

The payments deficit of the franc area, which had been about \$1 billion in 1957, was reduced in 1958 to some \$150 million (Table 18). Gold dishoarding by French residents was partly responsible for the sharp reduction in the deficit in the second half of the year. The special financial aid totaling \$655 million,<sup>2</sup> made

---

<sup>2</sup> This total includes a stand-by credit of \$131 million from the International Monetary Fund, additional credits of \$250 million from the European Payments Union, and financial facilities from the United States (mainly debt deferment) totaling \$274 million.

TABLE 18. COUNTRIES (OTHER THAN THE UNITED STATES) EXPORTING  
MANUFACTURES: TRADE AND PAYMENTS BALANCES AND  
OFFICIAL RESERVES, 1956, 1957, AND 1958

(Value figures in millions of U.S. dollars)

|                             | Trade Balance <sup>1</sup> |        |        | Payments Balance <sup>2</sup> |        |       | Official<br>Reserves,<br>End of<br>1958 <sup>3</sup> | Official<br>Reserves<br>as Per Cent<br>of Annual<br>Average of<br>Imports,<br>1956-58 |
|-----------------------------|----------------------------|--------|--------|-------------------------------|--------|-------|--|---|
|                             | 1956                       | 1957   | 1958   | 1956                          | 1957   | 1958  |  |   |
| Austria                     | -125                       | -149   | -156   | 45                            | 104    | 155   | 665  | 63  |
| Belgium-                    |                            |        |        |                               |        |       |  |   |
| Luxembourg                  | -110                       | -246   | -83    | 19                            | -58    | 410   | 1,511  | 46  |
| Denmark                     | -199                       | -185   | -80    | 14                            | 12     | 104   | 230  | 17  |
| France <sup>4</sup>         | -1,017                     | -1,064 | -482   | -772                          | -1,019 | -150  | 965  | 17  |
| Germany, Federal            |                            |        |        |                               |        |       |  |   |
| Republic of                 | 741                        | 1,076  | 1,447  | 1,215                         | 1,353  | 742   | 6,321  | 88  |
| Italy                       | -1,029                     | -1,124 | -633   | 91                            | 267    | 945   | 2,321  | 70  |
| Netherlands                 | -863                       | -1,008 | -407   | -205                          | -85    | 506   | 1,493  | 39  |
| Norway                      | -439                       | -453   | -566   | 35                            | 19     | 50    | 243  | 19  |
| Portugal                    | -143                       | -214   | -191   | 22                            | -6     | 21    | 708  | 149   |
| Sweden                      | -264                       | -291   | -278   | 3                             | -17    | 17    | 473  | 20  |
| Switzerland                 | -324                       | -404   | -167   | 36                            | 16     | 165   | 2,063  | 114   |
| United Kingdom <sup>5</sup> | -1,591                     | -1,716 | -1,188 | -560                          | -554   | 776   | 3,105  | 28  |
| Japan <sup>6</sup>          | -729                       | -1,426 | -156   | 168                           | -677   | 345   | 861  | 24  |
| Total                       | -6,092                     | -7,204 | -2,940 | 111                           | -645   | 4,086 | 20,959   | 45  |

Source: Based on data from International Monetary Fund, *International Financial Statistics*.

<sup>1</sup> Exports f.o.b. minus imports c.i.f.

<sup>2</sup> Measured by changes in gross official reserves of gold and foreign exchange (with adjustments for France, United Kingdom, and Japan indicated below) and in net EPU and IMF positions.

<sup>3</sup> Reserves of gold and foreign exchange, including EPU credit balances.

<sup>4</sup> Payments balance for 1958 shows estimated change in gross official reserves of gold and total foreign exchange holdings (net of special U.S. aid received during the year) and in net EPU and IMF positions. Official reserves include gold and convertible currencies only.

<sup>5</sup> Payments balance for 1957 measured by change in gold and foreign exchange reserves net of official financing, such as special German sterling deposit with Bank of England, postponement of interest and debt service on North American loans, and drawing on line of credit from Export-Import Bank of Washington.

<sup>6</sup> Payments balance in 1957 net of drawing on agricultural surplus loan from Export-Import Bank of Washington, and in 1958 plus net repayments on this loan. Payments balance in 1958 based on staff estimate of change in gross official reserves, and in Ministry of Finance exchange holdings with commercial banks and open account balances, both of which have been excluded from the new series of figures for Japanese official holdings from which the figure for the end of 1958 given above is derived.

available in January 1958, provided assistance in respect of 1958 to the amount of some \$530 million. Most of this was used in the first part of the year, but during the course of the year the payments balance improved to such an extent that for 1958 as a whole official reserves increased by some \$350 million.

The reduction in the payments deficit in 1958 was the result of improvements of over \$400 million in the trade balance of metropolitan France with foreign countries<sup>3</sup> and of over \$250 million in

<sup>3</sup> Imports estimated f.o.b.

the balance on service items. The balance on goods and services of the rest of the franc area with foreign countries also improved. About \$200 million appears to have been the result of changes in the timing of payments for imports into the franc area as a whole, the so-called "leads and lags," and was therefore of a capital nature. Despite the fact that voluntary gold sales to the authorities exceeded somewhat the compulsory calling in during 1957 of foreign exchange balances from commercial banks (the *ratissage*), the positive balance on other items of a capital nature in 1958 was some \$80 million smaller than in 1957, when these items had included a special loan of \$100 million from U.S. banks for the purchase of petroleum.

The improvement in France's trade balance with countries outside the franc area resulted entirely from a decline of 14 per cent in the dollar value of imports. Largely because of a decline in agricultural exports resulting from poor harvests in 1957, the volume of French exports to foreign countries in 1958 was 1 per cent, and their dollar value 4 per cent, less than in 1957.

The decline in the dollar value of French imports from outside the franc area was a consequence of the fall in raw material prices, a substantial shift to the franc area in the origin of imports of food and raw materials, and the continuation of the quantitative restrictions that had been extended in 1957 to cover all imports from outside the franc area. The total volume of imports from all sources was only about 1 per cent less than in 1957. The liberalization of trade in January 1959 had little immediate effect, the volume and dollar value of imports from outside the franc area being further reduced in the first quarter of 1959. The dollar value of exports declined, but their volume was considerably greater than in the first quarter of 1958.

A considerable volume of speculation against the franc, mostly vis-à-vis other European currencies, was stimulated for a brief period by rumors of the devaluation which was carried out on December 27, 1958, when a new par value of F 493.706 per U.S. dollar, corresponding to a devaluation of 14.9 per cent, was agreed with the Fund. For technical reasons connected with the



timing of EPU settlements, the effects of this European speculation do not appear in the 1958 balance of payments.

Further stabilization measures designed to strengthen confidence in the currency by reducing inflationary pressure were taken at the turn of the year. In accordance with the policy of keeping the deficit within the limit of the *impasse* set in the preceding year, it was planned that the effect upon the Treasury deficit of substantially increased expenditures on government salaries and public investment would be offset by further increases in both direct and indirect taxes, by the elimination of subsidies, and by increases in the charges of nationalized enterprises. To cushion the effects of these latter measures on real wages, the minimum legal wage rate was raised by 4.5 per cent and salaries of government employees by 4 per cent. At the same time, however, the virtual abolition of the escalator clauses in the wage contracts that regulate wage rates other than the legal minimum introduced an important structural change into the mechanism of wage determination.

In the early months of 1959, credit stringency was relaxed somewhat, in view of the disinflationary effect of the measures taken earlier and in order to encourage investment. The penalty rate for bank borrowing from the Bank of France in excess of the rediscount ceilings, which had been reduced in October 1958, was further reduced in March and April 1959. The discount rate was cut in three steps, from 5 per cent in October 1958 to 4 per cent in April 1959, and the ceiling on bank credit was abolished in February 1959.

The improvement in the payments balance which began in 1958 continued in the early months of 1959. The effects upon reserves of leads and lags and of "hot money" movements are reduced if a comparison is made with the central holdings of gold and convertible currency at the end of October 1958, when they amounted to rather more than \$1,000 million. By the end of June 1959 the total had increased to \$1,634 million. Moreover, during the first four months of 1959, \$340 million was paid back by the Stabilization Fund to the commercial banks through *deratissage* operations.

## FEDERAL REPUBLIC OF GERMANY

Although the slowing down of the rate of economic growth from 1957 to 1958 was less marked in the Federal Republic of Germany than in most other countries, the trade balance continued to improve from 1957 to 1958. There was, however, an increased outward movement of capital, encouraged by German monetary policy, and the over-all payments surplus declined to a level which, though still high, was more moderate than in 1957.

German industrial production was greater in each quarter of 1958 than it had been 12 months earlier. From 1957 to 1958, real gross national product rose by less than 3 per cent, compared with 5 per cent in the previous year. Increases in public construction and in housing were stimulated by the substantial decrease in interest rates, but fixed business investment was no larger than in 1957. Income from wages and salaries rose more rapidly than total national income, and there was a significant rise in personal consumption despite a very rapid rise in private saving.

The slowing down of the growth of production during 1958 was less marked and shorter lived than in most industrial countries. Prices showed remarkable stability, which was a consequence of the continuance of a substantial rate of growth in productivity, a decline in profit margins, falling import prices, and increasing trade liberalization. In early 1959 production expanded again at a rising rate.

The rate of increase of exports was considerably less in 1958 than in 1957; however, the volume of exports continued to grow, by some 4 per cent, in contrast to a decline in most of the other manufacturing countries. A slight contraction in exports to Europe was outweighed by increases in exports to other areas, particularly the United States.

The volume of Germany's imports increased from 1957 to 1958 by 7 per cent, against a 12 per cent increase from 1956 to 1957. However, owing to a steep decline in prices and freight rates, the c.i.f. cost of imports fell by 2 per cent, and there was an improvement of some 9 per cent in Germany's terms of trade.

Germany's payments surplus on current account rose from \$1,440 million in 1957 to \$1,720 million in 1958, but the net capital outflow (including Errors and Omissions) increased much more, from \$90 million to \$980 million. Official capital exports as a whole fell from \$657 million to \$394 million, because of a decline in advance payments on military imports (included in the balance of short-term capital movements). The decline in over-all official capital exports was far outweighed, however, by a change in the estimated movement of private capital (including Errors and Omissions), from an inflow of \$435 million to an outflow of \$505 million. Of this very large outward shift of \$940 million, some \$600 million arose on unrecorded transactions and was due in part to the reversal in 1958 of the changes that had occurred in 1957 in the timing of current payments. The remainder was the result of a substantial recorded outflow in 1958 of banking and other private funds, stimulated by a decline in German interest rates relative to those prevailing elsewhere and influenced by increased liquidity in Germany.

The money supply increased during 1958 by some 13 per cent, compared with 12 per cent in 1957, though incomes had probably grown more rapidly in the earlier year. The greater increase in the money supply occurred in spite of the fact that there was a smaller reserve acquisition than in 1957. The expansion of bank credit to both the public and the private sectors was greater than in 1957, with medium- and long-term lending and investment accounting for almost the entire increase. The accumulation of government deposits with, and loans to, the banking system declined considerably from 1957 to 1958. The authorities continued to offset the effects of the influx of reserves by open market operations, though to a lesser extent than before. However, they may be said to have contributed to the lowering of interest rates and the outflow of capital by permitting the continued expansion of bank liquidity and by reducing the official discount rate by several steps, to 2¾ per cent in January 1959.

German official reserves, which had changed very little in the first four months of 1958, declined by nearly \$880 million in the

first four months of 1959, largely as a result of certain temporary factors. While the surplus on goods and services in the first quarter of 1959 was \$70 million larger than in the same quarter of 1958, the net outflow on account of private capital transactions rose by about \$360 million and there was a similar increase in official capital exports, due to exceptionally large advance payments for military imports and debt settlements. Much of the change in private capital exports was a response to changes in relative interest rates, which were the decisive factor underlying the increase of \$320 million in net foreign exchange holdings of German commercial banks. Long-term private investment abroad also increased, to about \$120 million. In May, when the temporary factors referred to above had less influence, reserves again rose, by \$110 million.

#### ITALY

In Italy, as in Germany, internal demand and output in 1958 were less severely affected by the recession than in most industrial countries, and there too the balance of payments improved, by nearly \$680 million (Table 18). However, the growth in output, which had been rapid, slowed down in 1957-58. Agricultural production rose much more from 1957 to 1958 than in other recent years, but the rate of increase of real national income, which had averaged a little more than 5 per cent per annum in the three preceding years, fell to 4 per cent. Industrial production flattened out from mid-1957 to mid-1958, and then gradually expanded again. A decline in private fixed investment and inventories was largely offset by higher public investment and exports of invisibles. Unemployment remained about the same as in 1957. Wholesale prices declined during 1958 because of lower import prices, but the cost of living still rose somewhat, and wages increased more than the cost of living.

While national income was well maintained, the value of imports fell by 14 per cent and their volume by about 6 per cent. The reduction in volume largely reflected a running down of stocks. The proceeds from exports remained virtually unchanged, and the

resultant reduction in the trade deficit accounted for some two thirds of the improvement in Italy's balance of payments. The large surplus on invisibles was again increased by a rise in emigrant remittances and by a continued increase in tourist receipts. Receipts from intergovernmental aid, however, were \$100 million less than in 1957.

The inflow of foreign long-term private capital into Italy was nearly twice the inflow in 1957, and about \$65 million was received under IBRD loans to the governmental agency responsible for development in Southern Italy. On the other hand, Italian investment abroad increased, partly because of the subscription, equivalent to \$24 million, to the European Investment Bank. The balance of short-term capital movements remained roughly unchanged. The increase in the inflow of private capital took place despite a decline in Italian interest rates, which are, however, still higher than in most other industrial countries.

#### OTHER EUROPEAN COUNTRIES

In *Belgium-Luxembourg* recession began earlier and went deeper than in other European countries. Industrial production declined from the second quarter of 1957 to the second quarter of 1958 by some 10 per cent. The fall in activity appears to have been set off by a decline in demand for Belgian products in European markets, and it was associated with a slight deterioration in the Belgian payments balance from 1956 to 1957 (Table 18). The decline in demand, however, spread to the domestic sector, and particularly affected inventory investment, industrial fixed investment, and residential construction. Signs of a revival of economic activity were increasingly apparent by the beginning of the second quarter of 1959. The volume of imports in 1958 was 3 per cent less, and expenditure on imports 9 per cent less, than in 1957. Export prices and export proceeds continued to decline, but as a result of the fall in imports the trade balance improved<sup>4</sup> by \$160 million between the two years. The

---

<sup>4</sup> Imports c.i.f.

improvement in the payments balance was even higher, amounting to some \$470 million. Capital inflow increased substantially, in part because of increased public borrowing in foreign markets.

Belgium's reserves increased during 1958 by some 30 per cent, and, although credit to the private sector fell off, the money supply rose by nearly 6 per cent. This, taken in conjunction with the decline in internal activity and prices, meant a considerable enhancement of the liquidity of the economy and was reflected in a fall in interest rates.

The policy of restraint adopted in mid-1957 to arrest the deterioration in *Denmark's* balance of payments kept domestic demand from rising and made it possible to benefit fully from favorable external conditions. The balance of payments showed a substantial strengthening in 1958 (Table 18), with the volume of exports 9 per cent greater than in 1957; the increase in exports of industrial goods was especially notable. Official reserves of gold and foreign exchange rose by nearly \$60 million, and in 1958 and the first months of 1959 the equivalent of \$42.5 million was repurchased from the Fund.

The inflow of foreign exchange caused a rapid increase in liquidity and the National Bank lowered the discount rate in two steps, from 5.5 per cent to 4.5 per cent. The introduction by the National Bank of a system of three-month deposit certificates was an important factor in stabilizing the capital market.

The expansion of production which began in the second half of 1958 continued into 1959. In these circumstances, imports increased more than exports, but foreign exchange reserves continued to rise, although at a slower rate than in 1958.

In *Norway* there was a substantial goods and services deficit in 1958, as a result of the decline in freight earnings which followed the recession in the ocean freight market and of continued large imports of ships which had been ordered during previous years. However, an inflow of foreign capital, related particularly to the import of ships, made possible a further accumulation of reserves; at the end of the year, foreign exchange holdings were twice the holdings five years before. All these trends were again evident in the first four months of 1959.

## JAPAN

In Japan, the setback to exports and to economic activity during the recession was more severe than in most industrial countries other than the United States. The value of exports, which had risen at an average rate of 25 per cent per annum from 1953 to 1956 and by 14 per cent from 1956 to 1957, was practically the same in 1958 as in 1957. While the volume of exports rose by 7 per cent, export prices fell by a similar percentage. The large share of textiles, which is normal in Japan's export trade—textile exports in fact fell by 10 per cent in value—and the high proportion of its export markets that lies in primary producing countries made Japan particularly vulnerable to the effects of the recession.

Japan's manufacturing output, which had been increasing between 1955 and 1957 at an annual rate of more than 20 per cent, fell by 5 per cent from the second quarter of 1957 to the second quarter of 1958; the previous rapid rate of growth was then resumed and continued into the first quarter of 1959. The restrictive budgetary and credit measures taken in May 1957 to check the boom and remedy the deterioration in external payments were successful in achieving their aim. In the second and third quarters of 1958, there was a net accumulation of inventories; private fixed capital investment also declined, but private consumption continued to rise. From May 1957 through October 1958 wholesale prices fell by 9 per cent. Import payments, which had been very high in 1957, fell in 1958 by some 29 per cent, the volume of imports declining by 19 per cent and import prices by 13 per cent. However, the volume of imports in 1958 was still slightly greater than in 1956. The largest declines in volume from 1957 to 1958 were in textile materials, coal, and metallic ores.

As a result of the decline in import payments, Japan's trade deficit declined from 1957 to 1958 by \$1,270 million, and the payments balance improved by \$1,020 million (Table 18).

The Japanese authorities were cautious in relaxing their monetary and credit policies. Later than the corresponding action in most industrial countries, the Bank of Japan's discount rate was

reduced in three steps, from 8.4 per cent in June 1958 to just under 7 per cent in February 1959. Moreover, the Treasury's cash transactions, which yielded a surplus of \$406 million in the fiscal year 1957-58, yielded a deficit of \$156 million in the fiscal year 1958-59, which was financed by central bank credit and thus tended to ease the money market. With the improvement in the payments position, most of the measures designed specifically to tighten import financing in 1957 were withdrawn. To encourage exports, the tax exemption limits for incomes from exports were liberalized. An increase was also authorized in the low interest rate funds provided by the Export-Import Bank of Japan to the shipbuilding industry.

### Countries Exporting Tropical Foods, Oilseeds, and Vegetable Oils

A sharp decline in coffee prices in 1958 resulted in a considerable deterioration in the terms of trade of countries for which coffee is the main export. This tended not only to create or intensify payments difficulties, but also caused increased budgetary deficits in some of these countries, where taxation on coffee provides a major source of government revenue.

In *Brazil* proceeds from exports declined, but domestic economic expansion continued at a rapid rate, and there was a persistent upward trend in domestic prices. The combination of all these factors further intensified Brazil's payments problem (Tables 19 and 20). Both the price and the volume of coffee exports declined from 1957 to 1958 by some 10 per cent. Although coffee production continued to expand, the volume of exports declined, as the price policy that was adopted was less flexible than that of competing suppliers; stockpiling of coffee in 1958 amounted to roughly one third of exportable production. Export proceeds from cocoa were greater than in 1957 largely because of a rise in export prices, but proceeds from cotton exports declined in response to a reduction in the crop and a rise in domestic consumption. Exports



TABLE 19. TRADE OF COUNTRIES EXPORTING TROPICAL FOODS, OILSEEDS,  
AND VEGETABLE OILS, 1957 AND 1958

(Value figures in millions of U.S. dollars)

|   | Exports f.o.b. |                 |                   | Imports c.i.f. |                  |                   |
|---|----------------|-----------------|-------------------|----------------|------------------|-------------------|
|   | 1957           | 1958            | Percentage change | 1957           | 1958             | Percentage change |
| <b>Exporters of coffee</b>                      |                |                 |                   |                |                  |                   |
| Brazil  | 1,392          | 1,243           | -11               | 1,488          | 1,353            | -9                |
| Colombia  | 511            | 453             | -11               | 483            | 367              | -24               |
| Costa Rica                                      | 83             | 97              | 17                | 103            | 101              | -2                |
| El Salvador                                     | 138            | 116             | -16               | 115            | 108              | -6                |
| Guatemala                                       | 114            | 107             | -6                | 147            | 150              | 2                 |
| Haiti   | 34             | 39              | 15                | 39             | 41               | 5                 |
| Nicaragua                                       | 64             | 64              | —                 | 81             | 78               | -4                |
| Ethiopia  | 80             | 66 <sup>1</sup> | -18               | 72             | 81 <sup>1</sup>  | 13                |
| <b>Total</b>                                    | <b>2,416</b>   | <b>2,185</b>    | <b>-10</b>        | <b>2,528</b>   | <b>2,279</b>     | <b>-10</b>        |
| <b>Exporters of other tropical foods</b>        |                |                 |                   |                |                  |                   |
| Cuba  | 845            | 734             | -13               | 894            | 827 <sup>1</sup> | -8                |
| Dominican Republic                              | 161            | 137             | -15               | 136            | 150              | 10                |
| Jamaica   | 141            | 133             | -6                | 187            | 181              | -3                |
| Panama  | 36             | 34              | -6                | 117            | 110              | -6                |
| Ecuador   | 133            | 137             | 3                 | 97             | 100              | 3                 |
| Honduras  | 65             | 72              | 11                | 79             | 74 <sup>1</sup>  | -6                |
| Ghana   | 229            | 263             | 15                | 270            | 237              | -12               |
| Ceylon  | 353            | 359             | 2                 | 379            | 360              | -5                |
| China (Taiwan)                                  | 148            | 156             | 5                 | 212            | 226              | 7                 |
| <b>Total</b>                                    | <b>2,111</b>   | <b>2,025</b>    | <b>4</b>          | <b>2,371</b>   | <b>2,265</b>     | <b>-4</b>         |
| <b>Exporters of oilseeds and vegetable oils</b> |                |                 |                   |                |                  |                   |
| French West Africa                              | 335            | 352             | 5                 | 426            | 419              | -2                |
| Nigeria   | 354            | 380             | 7                 | 427            | 467              | 9                 |
| Philippines                                     | 432            | 493             | 14                | 725            | 663              | -9                |
| <b>Total</b>                                    | <b>1,121</b>   | <b>1,225</b>    | <b>9</b>          | <b>1,578</b>   | <b>1,549</b>     | <b>-2</b>         |
| <b>Total</b>                                    | <b>5,648</b>   | <b>5,435</b>    | <b>-4</b>         | <b>6,477</b>   | <b>6,093</b>     | <b>-6</b>         |

Source: Based on data from International Monetary Fund, *International Financial Statistics*.

<sup>1</sup> Partly estimated.

of minerals, which had been expanding steadily in recent years, declined owing to adverse demand conditions.

Demand for imports remained strong throughout 1958, and in these circumstances the Brazilian Government was compelled to respond to the decline in export earnings by curtailing imports. This was done by reducing the amount of foreign exchange offered to the auction market and thus depreciating the effective import exchange rates. For the same reason, in October 1958, the rates for preferential imports, consisting mainly of petroleum and certain capital goods, were devalued. In 1958 Brazil made a net drawing of \$37.5 million from the Fund. Net loans of some \$116 million from the Export-Import Bank of Washington and U.S. commer-

TABLE 20. TRADE AND PAYMENTS BALANCES AND OFFICIAL RESERVES OF COUNTRIES EXPORTING TROPICAL FOODS, OILSEEDS, AND VEGETABLE OILS, 1957 AND 1958

(Value figures in millions of U.S. dollars)

|   | Trade Balance |      | Payments Balance <sup>1</sup> |                   | Official Reserves, End of 1958 | Official Reserves as Per Cent of Annual Average of Imports, 1956-58 |
|---|---------------|------|-------------------------------|-------------------|--------------------------------|---|
|   | 1957          | 1958 | 1957                          | 1958              |                                |   |
| <b>Exporters of coffee</b>                      |               |      |                               |                   |                                |   |
| Brazil  | -96           | -110 | -182                          | -237 <sup>2</sup> | 465 <sup>3</sup>               |   |
| Colombia  | 28            | 86   | 14                            | 10                | 160                            | 32  |
| Costa Rica                                      | -20           | -4   | —                             | 8                 | 20                             | 20  |
| El Salvador                                     | 23            | 8    | 5                             | -2                | 38                             | 35  |
| Guatemala                                       | -33           | -43  | 4                             | -26               | 48                             | 33  |
| Haiti   | -5            | -2   | -4                            | -5                | 2                              | 5   |
| Nicaragua                                       | -17           | -14  | 2                             | -2                | 8                              | 11  |
| Ethiopia  | 8             | -15  | 6                             | -8                | 56                             | 78  |
| <b>Exporters of other tropical foods</b>        |               |      |                               |                   |                                |   |
| Cuba  | -49           | -93  | -54 <sup>4</sup>              | -173 <sup>4</sup> | 373 <sup>5</sup>               |   |
| Dominican Republic                              | 25            | -13  | 8                             | -1                | 45                             | 26  |
| Panama  | -81           | -76  | -13                           | 19                | 48                             | 44  |
| Ecuador   | 36            | 37   | 3                             | 1                 | 35                             | 34  |
| Honduras  | -14           | -2   | -4                            | -4                | 8                              | 11  |
| Ghana   | -41           | 26   | -34                           | 6                 | 306                            | 121   |
| Ceylon  | -26           | -1   | -36                           | -11               | 172                            | 48  |
| China (Taiwan)                                  | -64           | -70  | 29                            | 3                 | 111                            | 53  |
| <b>Exporters of oilseeds and vegetable oils</b> |               |      |                               |                   |                                |   |
| Philippines                                     | -293          | -170 | -130 <sup>6</sup>             | 136               | 92                             | 14  |

Source: Based on data from International Monetary Fund, *International Financial Statistics*.

<sup>1</sup> Measured by changes in gross official reserves and net IMF positions.

<sup>2</sup> Including \$116 million of special loans (net) received from the Export-Import Bank of Washington and U.S. commercial banks, utilization of \$47 million of lines of credit, swap operations (\$10 million), and increased bilateral debts (\$17 million).

<sup>3</sup> Including \$200 million pledged as collateral.

<sup>4</sup> Including increases of \$4 million in 1957 and \$105 million in 1958 in liabilities of official institutions other than those to the IMF.

<sup>5</sup> Including \$260 million pledged as collateral.

<sup>6</sup> Including increases in central bank liabilities of \$40 million in 1957 and \$8 million in 1958, mainly through short-term borrowing from U.S. commercial banks.

cial banks, and lines of credit, which were used to the extent of \$47 million, helped further to finance the 1958 payments deficit, but they also added to the already burdensome foreign debt.

Greater customs revenue under a new tariff law increased government receipts in 1958, and the intensification of import restrictions resulted in increased exchange profits from the widening of the differential between average import and export rates of exchange. Cruzeiro receipts from the sale of exchange obtained from foreign loans also increased. The potentially disinflationary effect of these factors was, however, largely offset by increased expenditure on the stockpiling of coffee. Bank credit to the private sector

rose in 1958 at the same rate as in 1957. While the expansion in the money supply slowed down from 34 per cent in 1957 to 21 per cent in 1958, the rise in the cost of living accelerated from 14 per cent in 1957 to 23 per cent in 1958. The price increase continued through the first months of 1959, being further stimulated by wage increases in January and February.

In some of the coffee exporting countries, expansion of the volume of coffee shipments partly offset, and in Costa Rica and Haiti it even outweighed, the effect of reduced prices on export receipts. In Ethiopia, however, as the result of a small coffee crop, there was a payments deficit for the first time in several years.

The value of coffee exports in *Colombia* was only 10 per cent lower in 1958 than in 1957, though average prices were lower by some 20 per cent. Total export receipts, however, were also reduced by a substantial falling off in exports other than coffee. Nevertheless, a drastic cut in imports, achieved through restrictions and depreciation of the import exchange rate, raised the trade surplus by nearly \$60 million and permitted a further, though modest, net redemption of arrears. This was accompanied by a depreciation of the export rates for coffee and other products, which, however, was more moderate than the depreciation of the import rate. Despite the measures introduced in April 1958 which placed a large part of the burden of stockpiling on individual exporters, the stockpiling expenditures of the National Federation of Coffee Growers were greater in 1958 than in the preceding year. While banking claims on the Government increased much less than in 1957—owing in part to increased exchange profits—the improvement in the balance of payments raised the rate of monetary expansion from less than 14 per cent in 1957 to 21 per cent in 1958. Nevertheless, the cost of living rose by only 8 per cent in the course of 1958, compared with 23 per cent in 1957.

Among the countries exporting mainly tropical foods other than coffee, export earnings tended to decline in those where sugar comprises a preponderant share of exports. The decline was most pronounced for the Dominican Republic and Cuba; reduced earnings on sugar in China (Taiwan) were more than offset by a large

increase in rice exports. High cocoa prices increased Ghana's export receipts in 1958 despite a much lower volume of exports.

*Cuba's* export receipts, which had risen from 1956 to 1957 as the free world price of sugar sharply increased, declined from 1957 to 1958 as the world price moved some way back toward its former level. Political developments were the main reason for a decline in receipts from tourism, which up to 1957 had been increasing steadily. On private long-term capital account, on which there was a net inflow of some \$50 million in 1957, there was an estimated outflow of about the same magnitude in 1958. Although the reduction in external receipts was associated with a decline in expenditures on imports, the payments balance of Cuba, which had worsened steadily in recent years, showed a further sharp deterioration (Table 20). Foreign liabilities of the National Bank and other government banks rose from some \$200 million at the end of 1957 to some \$300 million at the end of 1958, with more than half of this amount falling due in 1959. Domestic credit expansion, which had been a principal cause of the deterioration in the payments situation in recent years, continued in 1958.

For the third successive year *Ecuador's* exchange reserves increased in 1958, the increase amounting to \$2 million, and the free market exchange rate remained practically stable. The monetary authorities were under considerable pressure to extend more liberal credit to compensate for a contraction of income from exports in the first half of the year and to relieve regional pockets of unemployment, and legal reserve requirements for commercial banks were temporarily lowered. Although the commercial banks tended to build up some excess reserves while lower reserve requirements were in effect, this measure helped to some extent in keeping the private sector supplied with a substantial volume of bank credit. Although credit expansion for the private sector of the economy was about 10 per cent less than in 1957, the rate of expansion for the year as a whole was considerably in excess of the rate of growth of the economy. These additional credit facilities, however, produced no inflationary effects, as net bank financing of the public sector was reduced substantially.

Export proceeds of the *Philippines* in 1958 benefited from the higher copra prices which resulted from a reduction in Indonesian supplies. A good crop permitted a sizable expansion of sugar exports. Moreover, a large increase in lumber shipments far outweighed the effect of lower prices. Imports, which had increased sharply from 1956 to 1957, were reduced from 1957 to 1958 by roughly half the increase in the previous year, and the trade deficit declined considerably (Table 20). The improvement in the payments position was brought about partly by budgetary and credit restraints and partly by an intensification of import restrictions. The budget deficit was reduced by postponing expenditure, and private credit was curbed by raising the rediscount rate, limiting the use of government bonds as collateral for rediscount, and almost entirely banning credit for real estate and construction. As a result, bank credit to the private sector expanded in 1958 by little more than one fourth as much as in the previous year, and there was also some reduction in the rate of credit expansion to the public sector. Early in 1959 additional steps were taken to curb domestic inflation and to deal with the still precarious payments situation by curtailing bank credit.

### Countries Exporting Livestock Products, Textile Fibers, Grain, and Tobacco

The deterioration in *Australia's* payments position from 1957 to 1958 was due largely to uncontrollable factors affecting export earnings, rather than to the pressure of monetary demand which has sometimes created payments difficulties in the past. Exports declined by 25 per cent in value and by almost 17 per cent in volume (Tables 21 and 22). Drought affected the output of wheat, wool, and butter, and flagging demand in industrial countries brought about considerable declines in the prices of wool and butter and reduced exports of lead and zinc. There was a substantial deterioration in Australia's terms of trade. Expansionary budgetary and fiscal policies were adopted in order to offset the

TABLE 21. TRADE OF COUNTRIES EXPORTING LIVESTOCK PRODUCTS,  
TEXTILE FIBERS, GRAIN, AND TOBACCO, 1957 AND 1958

(Value figures in millions of U.S. dollars)

|  | Exports f.o.b. |              |                   | Imports c.i.f. |              |                   |
|--|----------------|--------------|-------------------|----------------|--------------|-------------------|
|  | 1957           | 1958         | Percentage change | 1957           | 1958         | Percentage change |
| <b>Exporters of wool and livestock products</b>              |                |              |                   |                |              |                   |
| Australia  | 2,203          | 1,653        | -25               | 1,945          | 2,058        | 6                 |
| New Zealand  | 774            | 699          | -10               | 827            | 796          | -4                |
| Argentina  | 975            | 994          | 2                 | 1,310          | 1,233        | -6                |
| Uruguay  | 128            | 139          | 9                 | 226            | 135          | -40               |
| Ireland  | 368            | 366          | -1                | 516            | 556          | 8                 |
| <b>Total</b>   | <b>4,448</b>   | <b>3,851</b> | <b>-13</b>        | <b>4,824</b>   | <b>4,778</b> | <b>-1</b>         |
| <b>Exporters of vegetable fibers, grain,<br/>and tobacco</b> |                |              |                   |                |              |                   |
| United Arab Republic <sup>1</sup>                            |                |              |                   |                |              |                   |
| Egypt  | 489            | 470          | -4                | 514            | 684          | 33                |
| Syria  | 151            | 116          | -23               | 167            | 191          | 14                |
| Sudan  | 148            | 133          | -10               | 194            | 182          | -6                |
| Pakistan   | 358            | 298          | -17               | 440            | 396          | -10               |
| Turkey   | 345            | 264          | -23               | 397            | 315          | -21               |
| Greece   | 220            | 232          | 5                 | 524            | 565          | 8                 |
| <b>Total</b>   | <b>1,711</b>   | <b>1,513</b> | <b>-12</b>        | <b>2,236</b>   | <b>2,333</b> | <b>4</b>          |
| <b>Exporters of rice</b>                                     |                |              |                   |                |              |                   |
| Burma  | 230            | 194          | -16               | 296            | 203          | -31               |
| Thailand   | 365            | 309          | -15               | 406            | 383          | -6                |
| <b>Total</b>   | <b>595</b>     | <b>503</b>   | <b>-15</b>        | <b>702</b>     | <b>586</b>   | <b>-17</b>        |
| <b>Total</b>   | <b>6,754</b>   | <b>5,867</b> | <b>-13</b>        | <b>7,762</b>   | <b>7,697</b> | <b>-1</b>         |

Source: Based on data from International Monetary Fund, *International Financial Statistics*.

<sup>1</sup> Excluding trade between Egypt and Syria.

effects on internal demand of the fall in exports and farm incomes and to prevent a significant rise in unemployment, and the Commonwealth Bank increased the liquidity of the commercial banks during the first half of 1958. The resultant expansion of bank credit to the private sector was insufficient, however, to offset fully the decline in reserves and the increase in time deposits, and the money supply declined a little during 1958 as a whole, though it increased during the second half of the year as the Government borrowed from the Commonwealth Bank to meet its cash deficit.

As a result of the Government's success in maintaining home demand and of the maintenance of the import ceiling at the level to which it had been raised in the course of 1957, the value of imports rose by 6 per cent from 1957 to 1958. The resulting trade deficit was financed in part by official borrowing from London and

TABLE 22. TRADE AND PAYMENTS BALANCES AND OFFICIAL RESERVES OF COUNTRIES EXPORTING LIVESTOCK PRODUCTS, TEXTILE FIBERS, GRAIN, AND TOBACCO, 1957 AND 1958

(Value figures in millions of U.S. dollars)

|  | Trade Balance |      | Payments Balance <sup>1</sup> |      | Official Reserves, End of 1958 | Official Reserves as Per Cent of Annual Average of Imports, 1956-58 |
|--|---------------|------|-------------------------------|------|--------------------------------|---|
|  | 1957          | 1958 | 1957                          | 1958 |                                |   |
| <b>Exporters of wool and livestock products</b>          |               |      |                               |      |                                |   |
| Australia  | 258           | -405 | 368                           | -201 | 1,120                          | 56  |
| New Zealand <sup>2</sup>                                 | -53           | -97  | -69                           | -74  | 187                            | 24  |
| Argentina <sup>3</sup>                                   | -335          | -239 | -154                          | -112 | ...                            | ..  |
| Uruguay <sup>4</sup>                                     | -98           | 4    | -51                           | -24  | 180                            |   |
| Ireland  | -148          | -190 | 23                            | 10   | 262                            | 50  |
| <b>Exporters of vegetable fibers, grain, and tobacco</b> |               |      |                               |      |                                |   |
| United Arab Republic <sup>5</sup>                        |               |      |                               |      |                                |   |
| Egypt  | -25           | -214 | -116                          | -36  | 429                            | 74  |
| Syria  | -16           | -75  | -8                            | -24  | 30                             | 17  |
| Sudan  | -46           | -49  | -3                            | -33  | 87                             | 51  |
| Pakistan   | -82           | -98  | -82                           | -33  | 258                            | 62  |
| Turkey   | -52           | -51  | 78                            | -38  | 297 <sup>6</sup>               |   |
| Greece   | -304          | -333 | -15                           | -20  | 176                            | 34  |
| <b>Exporters of rice</b>                                 |               |      |                               |      |                                |   |
| Burma  | -66           | -9   | -28                           | 29   | 119                            | 51  |
| Thailand   | -41           | -74  | 18                            | -1   | 327                            | 85  |

Source: Based on data from International Monetary Fund, *International Financial Statistics*.

<sup>1</sup> Measured by changes in gross official reserves and net IMF positions.

<sup>2</sup> Payments balance includes, as a negative item, net official borrowing from abroad to the amount of \$12 million in 1957 and \$123 million in 1958.

<sup>3</sup> Payments balance based on gold and net foreign exchange reserves and net IMF position. The 1958 figure is based on holdings at the end of October 1958.

<sup>4</sup> Payments balance based on net official reserves and net IMF position. The figure shown under official reserves refers to gold holdings only.

<sup>5</sup> Trade balances exclude trade between Egypt and Syria.

<sup>6</sup> Much of the convertible part of these reserves is pledged as collateral.

New York to the amount of \$95 million, but mainly by a reversal in the movement of reserves from an increase of \$368 million in 1957 to a decrease of some \$200 million in 1958. The payments position improved in the first quarter of 1959, when exports were greater, and imports less, than in the first quarter of 1958.

In *Argentina* inflation was intensified in 1958 to a degree not experienced since 1952. Despite the mitigating effect of a substantial decrease in foreign reserves, both the money supply and the cost of living increased by some 50 per cent in the course of the year. The most important source of inflation was government deficit spending, financed by borrowing from the Central Bank, where claims on the Government increased during 1958 by an

amount equivalent to 28 per cent of the total money supply at the beginning of the year. The commercial banks, whose liquidity was thereby increased, in turn expanded credit to the private sector by an even greater amount. To a considerable extent, the government deficit arose from the failure of nationalized utilities, such as the railways, to raise their charges in line with the considerable increases in their wage costs. The aggregate government wage bill, including the utilities, increased by some 60 per cent, the increase in the average take home pay of workers in general being some 44 per cent.

Despite inflationary pressure at home and the severe fall in the price of wool abroad, the dollar value of Argentina's exports rose a little as a result of an increased volume of meat, corn, and wool exports. This was made possible, at the cost of a progressive depletion of cattle herds, by the gradual elimination of export taxes and the shifting of increasing proportions of export proceeds to the free exchange market, where the peso depreciated in the course of the year by some 47 per cent.

At the end of 1958 the Argentine Government adopted a plan of stabilization with the support of the Fund and of public and private U.S. agencies. The plan provided for the elimination of direct exchange controls and the establishment of a unified free exchange market with a substantial depreciation of the effective exchange rate for most trade transactions. Many taxes, duties, and rates were to be substantially increased and subsidies were to be eliminated. The legal reserve requirements of commercial banks were to be raised from 20 per cent to 30 per cent and the government-owned Mortgage and Industrial Banks were no longer to have access to central bank credit. Most of these measures have been implemented, but at the time of writing this Report there were still many adjustments to be made in order to deal with the distortions to which the Argentine economy has been subjected in recent years.

*New Zealand's* trade and payments balances deteriorated from 1957 to 1958 for the second year in succession. While the value of imports declined by 4 per cent, the value of exports fell more



than twice as much, as a result of a sharp fall in the international prices of New Zealand's main exports, wool and butter. The volume of exports increased by 6 per cent, but their average price fell by 14 per cent. Employment and industrial activity continued to expand, and only the introduction of a stricter import policy at the beginning of 1958 made possible the reduction of imports. The Government financed the payments deficit, and even built up reserves in the course of 1958, by means of large-scale overseas borrowing. Net official borrowing during 1958 amounted to \$123 million. For a loan of \$34 million from J.P. Morgan and Company, New York, the New Zealand Government pledged gold. At the same time certain financial measures were taken, the reserves of the banking system being slightly reduced and the legal reserve requirements for commercial banks increased. As a result, the money supply declined by 6 per cent over the year. Higher taxes were imposed in June 1958.

As the Egyptian Region of the United Arab Republic and the Sudan, the major exporters of long-staple cotton, gradually reduced their export prices from the very high levels at which they had been held in 1957, their shipments expanded. The value of their exports, however, was less in 1958 than in 1957.

In the *Egyptian Region* cotton export prices were lowered, largely through the operation of the "export pound" arrangements, without affecting returns to domestic producers. Receipts from Suez Canal fees increased by 75 per cent from 1957 to 1958, when they were the highest on record. There was a sharp increase in imports, largely connected with the development program, and the deficit on current account widened. Drawings on reserves were less than in 1957, however, because of an increase in the amounts drawn under bilateral lines of credit, largely from the Federal Republic of Germany, Japan, and the U.S.S.R., and because a large capital export had been required in 1957 to redeem Egyptian currency held in the Sudan. Net government borrowing from the banking system, which in preceding years had been a source of inflationary pressure, ceased in 1958. While credit expansion to the private sector continued at roughly the same rate as in 1957,

the effect on the money supply was offset by the payments deficit. The money supply was somewhat reduced in the course of the year, and prices remained virtually unchanged.

In the *Sudan* the reduction of cotton export prices also affected the earnings of domestic producers. There was again in 1958 a payments deficit. Drawings on gross reserves were greater than in 1957, when reserves were augmented by the currency settlement with Egypt. Intensification of import restrictions in April was followed by a sharp reduction of imports. A large increase in development expenditures and a fall in revenues from cotton caused a further drain on the Government's cash balances. Bank credit to the private sector was contracted in 1958, however, partly as a result of further measures restricting certain types of bank advances. There was a substantial increase in the money supply and some increase in prices. Toward the end of 1958, the Sudan made use of the Fund's resources and obtained other short-term advances, as foreign exchange reserves outside the statutory currency cover were rapidly nearing depletion. The reserves were further replenished in early 1959 by large reimbursements from an IBRD loan and a sharp increase in cotton sales following a revision of cotton marketing procedures and further reduction of prices.

By the early months of 1958, domestic output in *Turkey* was adversely influenced by shortages of materials and spare parts, as imports could not be maintained, and a serious deterioration in the general economic situation had become apparent. A comprehensive stabilization program, introduced in August 1958 with the participation of the Fund and the OEEC, provided for the balancing of the government budget and of the accounts of state enterprises and for the limitation of investment to resources available from noninflationary financing. Credit ceilings were established to help stabilize over-all demand. After an initial price rise, largely in response to the exchange rate adjustments which were also part of the program, there was an improvement in internal conditions. In the first four months of 1959 imports, of which there had been serious shortages, increased according to the requirements of the stabilization program. By the beginning of the second quarter of

1959, there were some indications that exports might show a rising trend.

There was a further deterioration in *Pakistan's* trade balance in 1958, with a continuation of domestic inflation arising mainly from the financing of the budget deficit by the banking system. While imports declined slightly, exports fell rather sharply, mainly because of difficulties in disposing of cotton and cotton textiles. The value of jute exports rose, however, despite a decline in their price. Increased use was made of external financial assistance, but exchange reserves declined. In the early months of 1959 there was an improvement in the financial situation and some increase in reserves. This was due partly to a more rigorous exchange control and to fiscal policies initiated in late 1958 in order to terminate recourse to the banking system for deficit financing. The full impact of budgetary reforms will not be felt before the new budget year, which begins in July 1959. In January 1959 the State Bank raised its discount rate from 3 per cent to 4 per cent and commercial banks adjusted their interest rates accordingly.

### Countries Exporting Metals, Rubber, and Petroleum

All the countries exporting mainly metals and rubber were adversely affected in 1958 by slackened demand and lower prices for their products. The sharp cut in export quotas under the International Tin Agreement and the virtual cessation of contractual tungsten shipments to the United States resulted in a considerable reduction from 1957 to 1958 in *Bolivia's* export earnings (Table 23). Its imports, particularly of food, were lower than in 1957. Though foreign debt repayment in 1958 was estimated at \$10 million, against \$15 million in 1957, the payments balance showed some deterioration (Table 24). The progress initially achieved in checking inflation under the comprehensive stabilization program adopted late in 1956, which included the almost complete elimination of public sector deficits, was interrupted in mid-1958. Public sector deficits reappeared largely because of wage adjustments made in order to avoid the threat of widespread

TABLE 23. TRADE OF COUNTRIES EXPORTING RUBBER, METALS, AND PETROLEUM, 1957 AND 1958

(Value figures in millions of U.S. dollars)

|                                       | Exports f.o.b. |              |                   | Imports c.i.f. |              |                   |
|---------------------------------------|----------------|--------------|-------------------|----------------|--------------|-------------------|
|                                       | 1957           | 1958         | Percentage change | 1957           | 1958         | Percentage change |
| <b>Exporters of rubber and metals</b> |                |              |                   |                |              |                   |
| Bolivia                               | 74             | 49           | -34               | 92             | 60           | -35               |
| Chile <sup>1</sup>                    | 455            | 380          | -16               | 441            | 400          | -9                |
| Belgian Congo                         | 473            | 404          | -15               | 438            | 360          | -18               |
| Rhodesia and Nyasaland                | 437            | 380          | -13               | 560            | 497          | -11               |
| Malaya, Federation of                 | 713            | 615          | -14               | 590            | 542          | -8                |
| Indonesia                             | 969            | 755          | -22               | 803            | 513          | -36               |
| Viet-Nam                              | 81             | 55           | -32               | 289            | 232          | -20               |
| <b>Total</b>                          | <b>3,202</b>   | <b>2,638</b> | <b>-18</b>        | <b>3,213</b>   | <b>2,604</b> | <b>-19</b>        |
| <b>Exporters of petroleum</b>         |                |              |                   |                |              |                   |
| Venezuela                             | 2,366          | 2,321        | -2                | 1,868          | 1,599        | -14               |
| Netherlands Antilles <sup>1</sup>     | 871            | 808          | -7                | 1,164          | 1,085        | -7                |
| Trinidad                              | 228            | 230          | 1                 | 208            | 240          | 15                |
| Iraq                                  | 360            | 567          | 58                | 343            | 307          | -11               |
| Kuwait <sup>2</sup>                   | 885            | 1,085        | 23                | 190            | 250          | 32                |
| Saudi Arabia <sup>2</sup>             | 855            | 880          | 3                 | 285            | 275          | -4                |
| Iran                                  | ...            | ...          | ...               | 418            | 572          | 37                |
| Brunei and Sarawak <sup>1</sup>       | 275            | 254          | -8                | 183            | 167          | -9                |
| <b>Total<sup>3</sup></b>              | <b>6,490</b>   | <b>6,870</b> | <b>6</b>          | <b>4,659</b>   | <b>4,495</b> | <b>-4</b>         |
| <b>Total</b>                          | <b>9,692</b>   | <b>9,508</b> | <b>-2</b>         | <b>7,872</b>   | <b>7,099</b> | <b>-10</b>        |

Source: Based on data from International Monetary Fund, *International Financial Statistics*.

<sup>1</sup> 1958 figures partly estimated.

<sup>2</sup> Export data based on petroleum production; import data for Kuwait based on unpublished estimates, and those for Saudi Arabia derived from indirect trade.

<sup>3</sup> Including estimates for exports from Iran.

strikes, which raised wages by 27.5 per cent above the level at the beginning of the stabilization program. There was pressure on the balance of payments, the exchange rate depreciated, and the cost of living rose by 20 per cent in the last quarter of the year. In the early months of 1959, however, wages generally ceased to rise, public sector deficits financed by borrowing were eliminated, and the exchange rate and the cost of living were again stabilized. Mining production and exports, however, continued to be low.

Lower prices and a 15 per cent reduction in the volume of copper exports, only partly offset by increased shipments of iron ore, were responsible for the further decline of *Chile's* export receipts from 1957 to 1958. Government revenue, which depends to an important extent on the income tax on copper companies, declined as the companies' earnings from exports fell, and as declining imports brought in smaller customs receipts. This decline contributed to an increased budget deficit, financed primarily by

TABLE 24. TRADE AND PAYMENTS BALANCES AND OFFICIAL RESERVES OF COUNTRIES EXPORTING RUBBER, METALS, AND PETROLEUM, 1957 AND 1958

(Value figures in millions of U.S. dollars)

|                                       | Trade Balance |      | Payments Balance <sup>1</sup> |                  | Official Reserves, End of 1958 | Official Reserves as Per Cent of Annual Average of Imports, 1956-58 |
|---------------------------------------|---------------|------|-------------------------------|------------------|--------------------------------|---|
|                                       | 1957          | 1958 | 1957                          | 1958             |                                |   |
| <b>Exporters of rubber and metals</b> |               |      |                               |                  |                                |   |
| Bolivia                               | -18           | -11  | -                             | -7               | 2                              |   |
| Chile                                 | 14            | -20  | -120 <sup>2</sup>             | -47 <sup>2</sup> | 59                             | 15  |
| Belgian Congo                         | 35            | 44   | -159                          | 30               | 221                            | 55  |
| Malaya, Federation of                 | 123           | 73   | 4                             | 3                | 330                            | 58  |
| Indonesia                             | 166           | 242  | -30                           | -7               | 217                            | 30  |
| Viet-Nam                              | -208          | -177 | 6                             | 21               | 159                            | 65  |
| <b>Exporters of petroleum</b>         |               |      |                               |                  |                                |   |
| Venezuela <sup>3</sup>                | 498           | 722  | 504                           | -342             | 1,104                          | 70  |
| Iraq                                  | 17            | 260  | -90                           | 27               | 288                            | 89  |
| Iran                                  | ...           | ...  | 15                            | 16               | 253                            | 57  |

Source: Based on data from International Monetary Fund, *International Financial Statistics*.

<sup>1</sup> Measured by changes in gross official reserves and net IMF positions.

<sup>2</sup> Deficits include loans from the Export-Import Bank of Washington, U.S. International Cooperation Administration, and U.S. commercial banks.

<sup>3</sup> Payments balance and reserve figures as of end of November 1958.

borrowing from the Central Bank. Bank credit to the private sector increased somewhat less during 1958 than during 1957. On the other hand, owing to the shortage of foreign exchange, imports had to be reduced some 9 per cent below the 1957 level, and inflationary pressure was thus increased. The cost of living advanced during 1958 by 33 per cent, nearly twice the rise during 1957. The reduction in imports was brought about by increased advance deposit requirements and a step-by-step adjustment of the exchange rate applied to trade transactions, which resulted in a depreciation during 1958 of roughly 30 per cent. The establishment of a single rate on January 27, 1959 involved a further depreciation, by 7 per cent, of the rate for trade transactions. In April 1959, the Government was authorized to carry out a further series of stabilizing measures, including tax revisions.

The payments deficit was reduced considerably from 1957 to 1958 by cutting imports (Table 24). It was covered by loans from the Export-Import Bank of Washington, the International Cooperation Administration, U.S. commercial banks, and a draw-

ing on the Fund. As a result of a substantial increase in exchange receipts in December, reserves at the end of the year were some \$14 million higher than at the end of 1957.

From 1957 to 1958, the export receipts of the *Federation of Malaya* declined by about 14 per cent, in continuance of the downward trend of the last few years. The decline was accounted for mainly by reduced world prices of rubber and by a sharp cut in Malaya's export quota under the International Tin Agreement. The volume of rubber shipped was slightly larger in 1958 than in 1957, as the falling off in U.S. and European demand was offset by increased purchases by Mainland China and the Soviet area. The decline from 1957 to 1958 in imports, which had continued to rise up to 1957 while exports were declining, offset more than half of the shortfall in exports. The fact that the decline in the payments balance was still smaller than that in the trade balance (Table 24) is attributable largely to capital movements.

Since government revenue is much dependent upon customs duties, the reduction of both exports and imports adversely affected the fiscal situation. Expenditure was reduced to some extent by delaying the execution of the five-year development program. External loans arranged in late 1958 and early 1959—\$36 million from the IBRD, \$20 million from the U.S. Development Loan Fund, and the equivalent of \$33 million from the Brunei Government—and a domestic loan equivalent to \$17 million will permit this program to get under way again. Official foreign exchange holdings, other than those held by the Currency Board, declined by \$25 million in 1957 and by a similar amount in 1958.

In *Indonesia* the rapid inflation that began in the latter part of 1957 continued in 1958, as production and normal shipping and marketing facilities were disrupted by disturbed political conditions. The economic situation was further aggravated by declining world prices for Indonesia's principal export commodities. In these circumstances the reform of the exchange system in June 1957, which provided for greater reliance on market forces, proved to be only temporary; import restrictions were reimposed in February 1958 and the exchange certificate rate was pegged in

April 1958. However, after the third quarter of 1958, when order was largely restored, there was some recovery in production, exports, and reserves.

Although trade was severely depressed during the first half of the year, when compared with the same period of 1957, exports improved in the second half while imports continued to be severely restricted. For 1958 as a whole, exports were less than in 1957 by nearly one quarter, mainly on account of a sharp fall in the volume of rubber shipments. Exports of tin, restricted under the terms of the International Tin Agreement, and of coconut products were also much lower than in 1957. Petroleum exports, on the other hand, continued their steady growth. As a result of the restriction of imports, which fell even more sharply than exports, there was a rather large trade surplus which, together with a small inflow of private and official long-term capital, was nearly sufficient to finance the customary large deficit in payments for invisibles. In addition, the cancellation of a short-term trade debt of US\$117 million in accordance with the Reparations Agreement with Japan permitted net official reserves to increase by \$92 million during the year. Heavy demand pressures were generated by the severe import restrictions and large government deficits financed by borrowing from the Bank Indonesia, and retail prices rose sharply during 1958.

The exports of oil producing countries, which over the last ten years have been increasing at an annual rate of 11 per cent, continued to expand from 1957 to 1958, though at a somewhat reduced rate (Table 23). There was little change in the average export price of crude petroleum.

The exports of *Venezuela* were slightly less in 1958 than in 1957—when they had risen sharply as oil supplies from the Middle East were interrupted—and petroleum production declined by 5 per cent. Foreign investment was considerably below the high levels of 1956 and 1957, when substantial oil concessions had been sold. Furthermore, following the change of Government in early 1958, there was a large outflow of domestic capital. As a result, despite some decline in imports related to the decline in

foreign investment, there was a large deterioration in the payments balance, and reserves declined for the first time since 1954. During 1958, the Government withdrew a substantial part of the cash deposit balance which it had accumulated with the Central Bank during the previous four years of fiscal surplus. In the late months of 1958 substantial increases were effected in the rates of income taxation on corporations and in import duties. In the early months of 1959 petroleum production was again increasing.

With the restoration of the oil pipelines to normal operations by April 1958, Iraq's petroleum exports expanded by almost 60 per cent from 1957 to 1958, and its payments balance showed a substantial improvement. Kuwait's exports also increased considerably.

*Iran's* exports continued to increase, but its payments surplus showed little change as government expenditures on development and for other purposes increased rapidly, and credit expansion for the private sector was accelerated. Imports rose more rapidly than exchange earnings; Iran drew on external credits during the year, and exchange reserves declined sharply in the last quarter of 1958 and the first quarter of 1959. Also, prices began to rise.

As a result of large government spending, *Saudi Arabia's* balance of payments and internal economic conditions continued to deteriorate during the first half of 1958. In May 1958, a program was introduced which aimed at correcting the fiscal imbalance by reducing public expenditure and providing for a more rational utilization of foreign exchange, with less reliance on restrictions. Under this program, the Saudi Arabian Monetary Agency, which has responsibility for various central banking functions, has increased its activities. The revised exchange arrangements provide for imports of certain essential goods at a lower official exchange rate, while other imports are permitted freely at the free market exchange rate.

Since this reform has been in effect, the Government has not contracted any new loans. It has announced that allocations for major projects will be increased only after the currency has been successfully stabilized. From the outset of the program to the end



of 1958, government liabilities declined and the free market exchange rate for the Saudi riyal appreciated by about 20 per cent. Foreign exchange reserves also have been accumulating. The 1959 budget provides for a further reduction of the public debt.

### Other Countries, Including Countries with Diversified Exports

In 1956 and 1957 *India's* development program, which was financed in part by central bank credit, had given rise to increasing expenditures and large deficits in trade and payments. The large import content of development expenditures caused a rapid depletion of reserves, but it also helped to limit the inflationary pressure on the domestic economy, and in 1957 the rise in the money supply was less than in any of the preceding three years. In view of the deteriorating reserve situation, however, the Government took steps in 1957 and 1958 to restrict imports and credit expansion, while seeking to maintain the pace of development with the aid of foreign credits.

During the greater part of 1958, world recessionary trends affected both the demand for and the prices of *India's* export products, especially cotton textiles, jute, and manganese. The Indian authorities took various measures to promote exports, including the removal of export control of many commodities, the reduction or abolition of export duties, and the provision of other fiscal incentives. The value of exports in 1958 (exclusive of the lend-lease silver transactions) is estimated to have been some 6 per cent less than in 1957.

As a result of unfavorable weather conditions, the harvest in the crop year 1957-58 was 9 per cent smaller than in the previous crop year. This made necessary a substantial volume of food imports in 1957 and 1958. Restrictions on imports and on bank credit were applied with some severity; the value of imports declined by 16 per cent from 1957 to 1958 (Table 25).

TABLE 25. TRADE OF COUNTRIES WITH DIVERSIFIED EXPORTS, 1957 AND 1958

(Value figures in millions of U.S. dollars)

|                       | Exports f.o.b. |       |                   | Imports c.i.f. |       |                   |
|-----------------------|----------------|-------|-------------------|----------------|-------|-------------------|
|                       | 1957           | 1958  | Percentage change | 1957           | 1958  | Percentage change |
| Canada                | 5,456          | 5,440 | —                 | 6,346          | 5,790 | -9                |
| Mexico                | 727            | 731   | 1                 | 1,155          | 1,129 | -2                |
| Peru                  | 320            | 281   | -12               | 400            | 335   | -16               |
| Paraguay              | 33             | 34    | 3                 | 32             | 38    | 19                |
| Union of South Africa | 1,296          | 1,120 | -14               | 1,693          | 1,714 | 1                 |
| Algeria               | 471            | 488   | 4                 | 1,057          | 1,139 | 8                 |
| Morocco               | 325            | 345   | 6                 | 411            | 401   | -2                |
| Spain                 | 476            | 486   | 2                 | 862            | 849   | -2                |
| Finland               | 838            | 775   | -8                | 901            | 729   | -19               |
| Yugoslavia            | 395            | 441   | 12                | 661            | 685   | 4                 |
| Israel                | 141            | 144   | 2                 | 436            | 432   | -1                |
| India <sup>1</sup>    | 1,350          | 1,216 | -10               | 2,154          | 1,815 | -16               |
| Hong Kong             | 529            | 524   | -1                | 901            | 804   | -11               |
| Singapore             | 1,136          | 1,027 | -10               | 1,327          | 1,222 | -8                |

Source: Based on data from International Monetary Fund, *International Financial Statistics*.<sup>1</sup> Exports include return of lend-lease silver of \$79 million in 1957 and \$24 million in 1958.

Despite the reduction in the trade deficit (Table 26), the rate of monetary expansion, 3 per cent, was slightly less in 1958 than in 1957. The food shortages at first raised food prices; these prices, however, declined somewhat during the fourth quarter of 1958, mainly because of a larger crop in 1958-59. A slackening in consumer demand also resulted in falling prices and in reduced output of important consumer goods, such as cloth and edible oils. The earlier trend of rising prices was therefore reversed; at the beginning of 1959 the cost of living was, however, still 5 per cent higher than at the beginning of 1958.

One half of the current account deficit in 1957, and one third in the first three quarters of 1958, was financed by drawing on foreign exchange holdings, the remainder being covered by imports of capital. The reserves fell by almost one third between October 1957 and October 1958. Such a drain could not continue. After discussions in August 1958, under the auspices of the International Bank for Reconstruction and Development, between representatives of the Governments of Canada, Japan, the United Kingdom, the United States, and the Federal Republic of Germany, assistance for India totaling \$350 million was announced for the period ended March 1959. As a result of increased foreign aid and the growing effectiveness of the import restrictions applied

TABLE 26. TRADE AND PAYMENTS BALANCES AND OFFICIAL RESERVES OF COUNTRIES WITH DIVERSIFIED EXPORTS, 1957 AND 1958

(Value figures in millions of U.S. dollars)

|                       | Trade Balance |      | Payments Balance <sup>1</sup> |      | Official Reserves, End of 1958 | Official Reserves as Per Cent of Annual Average of Imports, 1956-58 |
|-----------------------|---------------|------|-------------------------------|------|--------------------------------|---|
|                       | 1957          | 1958 | 1957                          | 1958 |                                |   |
| Canada                | -890          | -350 | -109                          | 112  | 1,948                          | 32  |
| Mexico                | -428          | -398 | -38                           | -84  | 368                            | 33  |
| Peru                  | -80           | -54  | -33                           | -12  | 31                             | 8   |
| Paraguay              | 1             | -4   | -4                            | -1   | 7                              | 21  |
| Union of South Africa | -397          | -594 | -84                           | -7   | 317                            | 19  |
| Spain                 | -386          | -363 | -44                           | -32  | ...                            | ...   |
| Finland               | -63           | 46   | —                             | 79   | 250                            | 30  |
| Yugoslavia            | -266          | -244 | 6                             | -13  | 50                             | 8   |
| Israel                | -295          | -288 | -7                            | 46   | 92                             | 22  |
| India                 | -804          | -599 | -694                          | -224 | 722                            | 38  |

Source: Based on data from International Monetary Fund, *International Financial Statistics*.

<sup>1</sup> Measured by changes in gross official reserves and net IMF positions.

earlier, the drain on exchange reserves was stopped, and since November 1958, with these influences reinforced by a normal seasonal trend, reserves have in fact increased. The amount of expected foreign resources, however, has not been sufficient to permit the Second Five Year Plan (April 1956 to March 1961) to be carried out as originally envisaged; in November 1958, the Indian authorities announced that the reduction of the total Second Plan outlay in the public sector, which had been under consideration for some time, would amount to 6 per cent in money terms and about one sixth in real terms.

The decline in economic activity from 1957 to 1958 was less acute in *Canada* than in the United States. Industrial production decreased by 2 per cent, but farm output rose, and gross national product in real terms remained unchanged for the second year in succession. The fall in business investment was partly offset by higher government investment and by a 24 per cent increase in residential construction. The recession in Canada was accompanied by some reduction in the current account deficit. The substantial fall in demand for imported investment goods reduced the total value of imports by 8 per cent. The average rate of exchange for the U.S. dollar in Canada was 97.1 Canadian cents in

1958, compared with 95.9 cents in 1957. Gold and foreign exchange reserves, which had fallen by just over \$100 million in 1957, rose by approximately the same amount in 1958.

In 1957 an active antirecession policy was adopted, which was continued into 1958. The upturn in activity, which became marked in the last quarter of 1958, continued in the early months of 1959, and unemployment (seasonally adjusted) fell from almost 8 per cent of the labor force in October to 5.5 per cent in April (compared with an average of 4.3 per cent in 1957). The housing program was stimulated by government loans and mortgage guarantees. Social transfer payments increased, and, partly on account of lower tax rates, government revenues declined. The budget, which in 1957-58 had been in approximate balance, showed a substantial deficit in 1958-59. Government debt increased by \$1.3 billion in the fiscal year ended March 1959. However, the effect of this increased deficit was partly offset by a rise of personal savings from 7 per cent of disposable income in 1957 to 9 per cent in 1958. The money supply increased during the year by 13 per cent, and short-term interest rates declined through the first seven months. The banking system added over \$1 billion to its holdings of government securities in 1958. Despite slackened demand and the high rate of unemployment, prices rose by over 2 per cent during the year. Wages also rose in 1958, though at a slower pace than during 1957.

In the middle of the year, a large conversion loan operation made possible a substantial lengthening of the term of the outstanding government debt. Holders of nearly \$6.5 billion of World War II 3 per cent Victory Loan Bonds, all of which would mature at intervals over the next eight years and one third of which would mature within the next two years, were offered in exchange longer term, higher coupon, conversion loan bonds. Despite a considerable softening in the Canadian Government securities market in August, following the weakness that developed in the U.S. market, more than 90 per cent of the outstanding Victory Loan Bonds were converted, with more than \$3.5 billion going into the two longest maturities offered in exchange. The

average term of all outstanding marketable government securities was thus increased from 6.2 years to 10.6 years in mid-September.

In the first three quarters of 1958, Canadian imports were some 13 per cent lower than in the corresponding period of 1957, but in the last quarter they increased sharply with the recovery in economic activity and were about 4 per cent greater than in the fourth quarter of 1957. The decline in imports from 1957 to 1958 was chiefly in investment goods, including machinery and construction materials, and in industrial materials. The whole of the decline was concentrated on imports from the United States; imports from other sources were unchanged. Exports in 1958 were maintained at the 1957 rate. Lower receipts from base metals and lumber products were offset by increased earnings from beef, wheat, uranium, and aircraft. The distribution of exports changed little. For 1958 as a whole, the deficit on merchandise trade declined by some \$400 million. The deficit on service payments, which has been characteristic of recent years, rose by more than \$100 million. (Except as indicated, figures are in Canadian dollars.)

The net surplus on capital transactions was \$1,200 million, some \$100 million less than in 1957. The sharpest drop was in direct investment and in new issues, the inflow from the United States accounting for most of the decline. There was also a fall of \$50 million in Canadian direct investment abroad. In the first half of 1958, there was an inflow of almost \$130 million of short-term capital of various kinds, which was reversed in the third quarter; with a renewed inflow in the last two months of the year, the movement of short-term capital into Canada for the year as a whole was \$125 million, about \$100 million more than in 1957. These variations during 1958 may have been in part related to changes in differential money rates between Canada and the United States, as well as to changes in the exchange rate and in the timing of payments.

As in previous years, lower interest rates in the United States throughout most of the year made external borrowing attractive. Although the net total of new issues of securities (excluding those of the Dominion Government) was some 29 per cent less than in

1957, the amount raised externally, \$560 million, was only 14 per cent less. The changing composition of demand for investment funds was reflected in securities transactions; the net inflow from government, municipal, and provincial issues was twice as large, and from corporate issues half as large, as in 1957. Trade in outstanding securities again resulted in a small inflow of capital. Although the net inflow from all securities transactions, at \$680 million, fell by 10 per cent from 1957, the inflow from the United States rose by 8 per cent; net sales to the United Kingdom fell by 70 per cent, and those to other countries by 43 per cent.

In *Finland* the effects of the devaluation of September 1957 and the associated restrictive monetary policies were evident in a substantially improved balance of payments in 1958. Although world demand for wood and wood products decreased, Finland's export volumes were well maintained. Lower prices, however, caused export earnings (expressed in U.S. dollars) to fall by about 8 per cent below their 1957 level. The dollar value of imports declined by 19 per cent as a result of a fall in domestic demand caused by reduced economic activity, lower import prices, and a reduction of the inventories accumulated in anticipation of devaluation. With a current account surplus, an inflow of long-term capital, and increased short-term trade credits, reserves, which had not changed in 1957, rose by \$79 million, or 46 per cent, in 1958, and there was a further increase of \$18 million in the first five months of 1959.

The export levy imposed at the time of devaluation and maintained until September 1958 absorbed part of the increased liquidity arising from the accumulation of reserves, and also helped to achieve a surplus in the government budget. Prices rose less after the devaluation than had been expected, and after April 1958 they were virtually stable. Savings deposits recovered sharply during 1958. There was a slight fall in industrial production in 1958, and during the winter there was unusually high unemployment, caused mainly by a low level of industrial activity and a decline in residential construction. During the first half of 1959, however, production and employment began to recover.

The rate of growth of the *Mexican* economy was again slower in 1958 than in previous years, chiefly as a result of lower world demand and prices for its principal exports. Despite unfavorable world prices and the introduction by the United States of import quotas for nonferrous metals, the value of Mexico's commodity exports was slightly higher than in 1957, though still some 17 per cent less than in 1956. Except for cotton shipments—which increased by 20 per cent in volume, more than offsetting a price decline of 7 per cent—the volume of major exports generally declined in 1958, but both the volume and the value of minor exports increased. While export demand remained relatively low, domestic demand was stimulated by government action. Government expenditures rose by about 8 per cent and revenues by less than 3 per cent, so that the fiscal imbalance was increased. Central bank financing of this deficit, combined with additional central bank credit to government banks, was primarily responsible for an increase of some 7 per cent in the money supply in 1958, despite a considerable payments deficit. Internal prices, however, rose less than in the previous year.

Expanding domestic demand led to a 10 per cent increase in imports of consumer goods. However, the total value of imports was a little less than in 1957 as imports of capital goods declined. Tourist receipts fell but tourist expenditures abroad rose.

The 1958 balance on current account showed little change from the previous year, the deterioration being almost entirely in the capital account, with a net outflow of short-term private capital of \$65 million, which contrasted with a net credit on this account in each year since the devaluation of 1954. Foreign direct investment fell by \$40 million, and amortization payments abroad increased by about the same amount. Imports of capital goods were financed largely by foreign loans of \$216 million (including loans from the IBRD and the Export-Import Bank of Washington), an increase of 40 per cent from the previous year. Despite this increase, the outflow of gold and foreign exchange in 1958 was \$46 million greater than in 1957.

In order to redress the situation, the Mexican Government decided early in 1959 that retrenchment in government expenditures and administrative reforms to improve tax collections were necessary. The measures taken included adjustment of the prices of petroleum products charged by the Government Petroleum Corporation and a reduction of the deficits of the National Railroads and of other official agencies. The Bank of Mexico continues to apply policies of credit restraint.

The results of these measures were already evident by the middle of the year. The trade deficit, which had been \$417 million in the first quarter of 1958, fell to \$40 million in the first quarter of 1959. The seasonal decline in the Bank of Mexico's reserves was considerably less during the first five months of 1959 than during the same period in 1958. The Bank of Mexico's credit to the public sector declined, and the supply of money increased by less than ½ per cent. The domestic price level also was fairly stable.

The deterioration in *South Africa's* balance of payments, which began in the second half of 1957, continued through the first six months of 1958. The liberalization of imports in 1957 revealed an unexpectedly large backlog of demand, and as there were fears that new restrictions might be imposed, imports in the first half of 1958 were some 12 per cent higher than in the first half of 1957. Merchandise exports (excluding nonmonetary gold) were approximately 12 per cent less than in the first half of 1957, chiefly as a result of the drastic fall in wool prices. There was a deficit of \$356 million in the trade balance for the half year, compared with \$175 million in January-June 1957; and reserves, which had fallen by \$17 million in the latter period, fell by \$105 million in the first half of 1958.

In addition to drawing on the Fund in the first half of 1958, the South African authorities introduced and later intensified a policy of monetary restraint. Commercial banks were requested to limit credit to importers, interest rates were raised, and supplementary reserve requirements were imposed. In addition, fiscal measures were taken to reduce imports, and controls on transfers



of sterling were tightened. With private investment declining and farm income falling as a result of lower prices and a smaller harvest, the effects of these measures were evident in a slackening of economic activity, which continued in the early months of 1959. Demand for imports in the second half of 1958 was nearly 20 per cent less than in the first half. Exports continued to decline slightly; however, lower receipts from wool, diamonds, and base metals were offset somewhat by improvement in receipts from uranium and fruit. For 1958 as a whole, merchandise exports were about 14 per cent less than in 1957 and imports about 1 per cent higher. Gold production continued to expand throughout the year, though the increase was less than in 1957.

The rise in South African interest rates, at a time when U.K. rates were falling, arrested the substantial outward movement of private capital which developed during 1957, and this outflow was reversed in 1958. By the end of 1958, net reserves of gold and foreign exchange declined by \$7 million, after \$36 million had been drawn from the Fund, compared with a decline of \$84 million in 1957. Reserves increased by \$12 million in the first quarter of 1959.

While the money supply declined during the year by 3 per cent, the cost of living rose by the same percentage. The rate of growth of national product, about 3 per cent, was slightly less than the average of recent years. In November, the decline in economic activity caused the authorities to reverse a scheduled increase in commercial bank reserve requirements and to reduce the ratio from 8 per cent to 6 per cent, although the improvement in foreign reserves was not considered completely satisfactory. In January 1959, the discount rate, unchanged since 1955, was lowered from 4.5 per cent to 4 per cent and the legal reserve ratio for banks was further lowered, to 4 per cent. The budget presented in March granted some tax concessions to industry and gold mining, and in May further contracyclical measures were taken in the form of changes in unemployment insurance, relaxation of credit restrictions, and measures to stimulate housing and municipal capital expenditure.

## V

# Exchange Practices and Payments Arrangements

## External Convertibility

**T**HE year under review in this Report has been one of unusual importance in the evolution of the exchange practices and payments arrangements of the Fund's members. It has been noted earlier that at the turn of the year 14 Western European countries<sup>1</sup> agreed to establish external (or nonresident) convertibility for their currencies. By this important step, and the consequences that follow from it, the world has been brought closer than at any time since World War II to the establishment of a truly international multilateral payments system in accordance with the objectives set forth in the Fund's Articles of Agreement. Other policy decisions, related to though not directly dependent upon the establishment of external convertibility, point in the same direction.

Fifteen other countries,<sup>2</sup> most of which were associated in a monetary area with one or other of the Western European countries that took the initiative in establishing external convertibility, have taken steps to adjust their exchange control regulations to

---

<sup>1</sup> Austria, Belgium, Denmark, Finland, France, the Federal Republic of Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, and the United Kingdom. Greece established external convertibility for its currency on May 25, 1959.

<sup>2</sup> Australia, Burma, Ceylon, Ghana, India, Iraq, Jordan, Libya, Malaya, Morocco, New Zealand, Pakistan, the Sudan, Tunisia, and the Union of South Africa.

the new conditions. There are 11 "Article VIII" members of the Fund which maintain convertibility.<sup>3</sup> Also, there are a number of members that have, for varying lengths of time, maintained free exchange markets in which their currencies can be converted at will into major trading currencies. Thus a majority of the Fund's members now generally permit nonresidents to transfer their currencies to all countries, and a number of them accord the same facilities to residents.

The almost complete removal by major trading countries of barriers to the transfer of foreign-held balances of their currencies into other currencies marks a major step toward general freedom from exchange restrictions. With the exception of certain accounts—related mainly to bilateral agreements and to capital holdings—nonresidents can now freely convert their holdings of almost all major currencies into any other currency within official exchange margins. Prior to the establishment of nonresident convertibility by the members of the Organization for European Economic Cooperation (OEEC), countries in the sterling area and most European countries differentiated in their regulations governing nonresident accounts according to the currency area in which the account holder resided, and in practice this different treatment applied to virtually all balances acquired from current trade transactions. The practical consequences of these differences in exchange arrangements had gradually diminished as it was made increasingly possible for the owners of "transferable" accounts to use them to purchase dollars at a small discount in certain exchange markets in various parts of the world, but the transferability thus provided was organized only on an ad hoc basis and was therefore somewhat precarious. Following the formal establishment of external convertibility, nonresidents are generally able to draw freely upon their accounts in major currencies to make payments in any country. According to the country concerned, there are some variations in the technical arrangements (which are described in detail in Part II of the *Tenth Annual Report on*

---

<sup>3</sup> Canada, Cuba, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Panama, the United States, and Venezuela.

*Exchange Restrictions*), and, as noted above, there are some exceptions to the general rule. The withdrawal of certain capital holdings is still subject to approval, and external convertibility does not apply in certain cases where bilateral payments arrangements are maintained with certain other countries—mainly with the U.S.S.R. and other countries associated with it.

Although it was not to be expected that the immediate practical consequences for trade of these recent changes should be very great, the degree of freedom now established by the widespread extension of external convertibility contrasts sharply with the restrictions widely imposed upon the flow of international payments a few years ago.

The external convertibility announced at the end of 1958 does not establish the right of residents to obtain foreign exchange freely. However, in some countries other steps were taken at the same time which extend the range of freedom of convertibility permitted to residents. In the Federal Republic of Germany, convertibility has been established for residents as well as for non-residents, and with one minor temporary exception, the German public now has complete freedom in all its foreign exchange transactions.

Some of the direct consequences of the establishment of external convertibility are also indications of further significant progress toward the achievement of the Fund's objectives. The European Monetary Agreement (EMA), which had been drafted in 1955 in anticipation of the termination of the European Payments Union (EPU), has come into effect. The prescription of currency regulations of the European countries have been simplified and in the Federal Republic of Germany they have been eliminated. Some countries have found it possible to reduce the number of their bilateral payments arrangements. These developments have not been confined to the countries which formally participated in the establishment of external convertibility. For example, Brazil was able to eliminate the distinction which formerly existed in its exchange auction system between the U.S. dollar and the currencies of the European members of the "Hague Club." In free

markets, such as those in Hong Kong and Thailand, disorderly cross rates are no longer of importance.

The establishment of external convertibility does not in itself mean that freedom of trade has been immediately or automatically expanded; nor is the importance of the relaxations of restrictions and discrimination, which in several countries have accompanied this decision, to be measured in terms of their visible immediate effects upon the volume and direction of trade. These relaxations have been made—and the intention has been announced to carry the movement further—because the reserve positions and the competitive strength of the countries mainly concerned have already improved to such an extent that they can stand up to the competition of other producers with less dependence on restrictions. The fact that the authorities in the countries where external convertibility has been established no longer find it necessary to differentiate between one currency and another shows that there has been a radical change in the conditions which hitherto have been widely regarded as justifying discrimination in the trade restrictions that have been imposed.

After a detailed analysis of the implications of the establishment of external convertibility, the *Tenth Annual Report on Exchange Restrictions* summed up the Fund's interpretation of the current situation as follows: "The developments in the year under review provide a basis for optimism that there will be continued progress in eliminating restrictions imposed for balance of payments reasons . . . The Fund is currently examining the questions raised by the remaining discriminatory restrictions. In the meantime, it is urging members to proceed with the elimination of discrimination, including bilateralism, as rapidly as possible."

### The European Payments Union and the European Monetary Agreement

Upon the recommendation of the Managing Board of the EPU, the OEEC Council in June 1958 prolonged the EPU for another

year ending June 30, 1959, with the same operating rules and termination provisions as in the preceding year. All the EPU credit facilities—including unlimited credit extended by the Federal Republic of Germany up to 25 per cent of its surpluses—were maintained in 1958-59.

On December 27, 1958, when EPU members representing more than 50 per cent of the EPU quotas decided to make their currencies externally convertible, it was also decided to terminate the EPU agreement. The European Monetary Agreement accordingly came into operation immediately.

In the final six-month period of the EPU, the Federal Republic of Germany further increased its claims and remained by far the largest creditor of the Union. Its monthly surpluses were considerably larger than in the first half of 1958, both in absolute terms and in relation to total surpluses. The Netherlands, Italy, and Belgium-Luxembourg remained the next largest creditors; France was again the largest debtor; the United Kingdom, which was in surplus in the first half of 1958, showed a deficit in the second half of the year.

Upon completion of the settlement operations for its final accounting period, the Union's gold and U.S. dollar assets were \$403.7 million. In accordance with the liquidation provisions, \$167.1 million was distributed to creditor members in proportion to their claims against the Union; the remaining \$236.6 million, together with the EPU's claims against Turkey and Norway, totaling \$35 million and representing the initial position loans granted to these countries, was transferred to the European Fund established under the EMA. The final claims or debts of the Union, totaling \$1,117 million, were converted into bilateral claims and debts between the countries which had been EPU members. The claim of the Federal Republic of Germany accounted for more than three quarters of these final claims; of the total final debt, 43 per cent was a liability of France and 34 per cent a liability of the United Kingdom. These figures exclude the special credit of \$150 million granted to France in January 1958 to help it make its gold payments to the Union. This credit, which had been fully

utilized by November 1958, has been made the subject of a special arrangement.

In the eight and a half years of its existence the European Payments Union, which provided a clearing mechanism and substantial automatic credits, played an important role in helping its members to move from a system of restrictive and largely bilateral trade and payments arrangements to one of multilateral trade and payments with few restrictions. The EPU, which was not designed to work under a system of external convertibility, was terminated and replaced by the EMA, from which automatic credits such as were provided by the EPU are not available.

The EMA provides for the establishment of a European Fund and of a Multilateral System of Settlements between the contracting parties. The European Fund is intended to facilitate the operation of the System of Settlements and to provide special credits for periods not exceeding two years to member countries to overcome temporary balance of payments difficulties. Its capital is \$600 million, consisting of \$271.6 million transferred from the assets of the EPU (including the original U.S. contribution) and of participants' contributions amounting to \$328.4 million; the capital will be paid up to the extent necessary to maintain its liquid assets at an appropriate level and in accordance with the provisions of the Agreement. The operations of the EMA institutions are controlled by a Board of Management under the authority of the OEEC Council. European Fund credits were granted in January 1959 to Turkey (\$21.5 million) and to Greece (\$15 million).

In contrast to the EPU procedure, whereby, since July 1955, 25 per cent of any net balance has been settled in credit, settlements under the EMA are effected 100 per cent in U.S. dollars. Settlements may be effected at the end of the monthly accounting period by a payment in U.S. dollars at predetermined rates of exchange. However, whereas the monthly EPU settlements were made on the basis of the official parity of the various currencies in relation to the U.S. dollar, EMA settlements are made on the basis of the declared buying or selling rate for the U.S. dollar. In the

case of interim finance, any amounts owed by a contracting party are settled on the basis of the buying rate of the creditor country, i.e., at a rate less favorable to the borrower and more favorable to the lender. Any balances held in the currency of a contracting party which are voluntarily reported are settled on the basis of the selling rate of the debtor country, i.e., at a rate less favorable to the creditor and more favorable to the debtor. As had been expected, little use has been made of these facilities, and settlements have taken place largely through the exchange markets.

### Other General Developments in 1958-59

Other important changes during the past year in the exchange rate practices and restrictive systems of Fund members are recorded in a later section of this chapter. Many of these changes were not directly related to the establishment of external convertibility. Although there were some exceptions, the broad pattern was one of notable advance toward a regime of freer trade and payments, and of increasing exchange rate stability, simplification of exchange systems, and reduction of restrictions. Three countries which have recently joined the Fund, Ireland, Ghana, and the Sudan, agreed with the Fund on the establishment of initial par values. A new par value was established by France, which for more than ten years had not had an agreed par value with the Fund. Several other members took important steps which had the effect of simplifying their complex rate systems. Some of these countries are still confronted with severe economic problems; the reforms which they have made are not so much a reaction to a more favorable payments situation as an indication of a determination to adopt more effective economic policies for dealing with their problems—policies which in turn will strengthen their balances of payments. On the other hand, a few countries faced with difficult balance of payments problems found it necessary to extend their multiple exchange practices.

The diminution during the past year of the number of bilateral payments arrangements in operation continued a trend that has



been evident for some time. However, bilateral payments arrangements still have considerable importance, even in some countries which otherwise have established their currencies on a convertible basis. Some countries reduced their restrictions on imports during the year, and there was some progress, particularly in late 1958 and early 1959, in making these restrictions less discriminatory. The use of advance deposits to limit imports has increased during the year. The continuance of the "Paris Club" trade and payments arrangements between Argentina and certain European countries became unnecessary when a new exchange system was established in Argentina at the end of 1958, though the "Paris Club" machinery has been maintained to facilitate the liquidation of certain debts.

External convertibility does not generally apply to capital transfers. Over these transfers most countries continue to exercise the control that for Fund members is authorized by the Articles of Agreement, provided that the control is exercised in a manner which will not restrict payments for current transactions or unduly delay transfers of funds in settlement of commitments. However, some European countries have relaxed appreciably the controls imposed on capital payments, and one of them, the Federal Republic of Germany, eliminated the last remaining limitations on the movement of capital by both residents and nonresidents. On the other hand, some countries have found it necessary to extend the scope of their exchange surrender requirements, usually with a view to making the control of capital movements more effective.

## Regional Economic Communities

The payments relations between all Fund members are likely to be affected by any steps taken to establish regional economic communities whose purposes include the reduction of barriers to trade between the members of the community. On January 1, 1959 the 6 countries (Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands) which were signatories of the Treaty of Rome in 1957 establishing the European Eco-

conomic Community (EEC) took the first steps toward the elimination over a period of 12 to 15 years of customs duties and other obstacles to trade and to the free movement of persons, services, and capital among themselves. In accordance with the provisions of the Treaty, all tariffs on imports from other EEC members were reduced by 10 per cent. Also, any bilateral import quotas granted to any EEC member were converted into "global" quotas open to all participants without discrimination, and existing global quotas were enlarged.

The 6 countries of the EEC and the remaining 11 members of the OEEC have continued to explore ways of associating all OEEC members in a European Free Trade Area or Economic Association, but no agreement has yet been reached. On December 3, 1958, the Council of Ministers of the EEC decided to extend to the other members of the OEEC and to all other participants of the General Agreement on Tariffs and Trade the 10 per cent reduction in import tariffs that was to become effective between members of the EEC on January 1, 1959, provided that these tariffs were higher than the EEC common external tariff. Part of the quota liberalization for imports of industrial goods was also extended to other OEEC countries.

The Governments of Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom have been discussing a plan for a trade association of these countries which contemplates a reduction of industrial tariffs by 20 per cent on July 1, 1960, in order to keep in line with the tariff reductions of the EEC countries. According to the report on this plan, it is intended to stimulate the reopening of negotiations for a free trade area which would include the 17 OEEC countries.

The Latin American countries also have been exploring means for organizing closer regional cooperation which might lead to the establishment of a common market in Latin America. Steps taken earlier to establish closer economic ties between the Central American countries have been carried further, and the Eighth Session of the Economic Commission for Latin America in May 1959 gave careful consideration to the problems involved in the creation

of an effective common regional market which would be consistent with the maintenance of liberal trading relations between the Latin American countries and the rest of the world.

## Par Values and Exchange Rates

During the last fiscal year of the Fund, three initial par values were agreed with countries whose Fund membership had been established in 1957. On May 14, 1958, a par value of £0.357143 per U.S. dollar, or \$2.80 per Irish pound, was agreed for the currency of Ireland. A par value at the same rate, £G 0.357143 per U.S. dollar, or \$2.80 per Ghana pound, was agreed on November 5 for the currency of Ghana, the issue of which had begun in July 1958. The currency previously in use in Ghana was the West African pound, which also had a par value of \$2.80 per pound. These par values are in conformity with the relationship of parity which had been maintained between sterling and the currencies of Ireland and West Africa at the time of the devaluations of September 1949. The par value of LSd 0.348242 per U.S. dollar, or \$2.87 per Sudanese pound, agreed with the Sudan on July 23, maintained the hitherto existing parity with the Egyptian pound, which was the currency in use before the introduction of the new Sudanese currency in 1957.

France, which had not agreed a new par value with the Fund since the original par value was altered in 1948, proposed on December 27 a par value of F 493.706 per U.S. dollar, which was agreed by the Fund. The exchange rate for the French franc which had been effective since August-November 1957 was F 420 per U.S. dollar, so that the new par value represented a depreciation of 14.9 per cent. The French Government announced that during 1959 it would introduce a "new franc" which would be the equivalent of 100 old French francs. The new unit has been used since the beginning of the year for the quotation of foreign currencies on the Paris market; notes and coins in terms of the new unit will be put into circulation gradually.

Initial par values have now been agreed between the Fund and all but 15 of its members—Afghanistan, China, Greece, Indonesia, Italy, Korea, Libya, Malaya, Morocco, Saudi Arabia, Spain, Thailand, Tunisia, Uruguay, and Viet-Nam. Of these 15 members, 5 joined the Fund during 1958 and 1 in 1957.

Among the members that have no par value, *Greece* and *Italy* have maintained unitary fixed rates—Italy since 1949 at approximately 625 lire per U.S. dollar and Greece since 1953 at 30 drachmas per U.S. dollar.

The free market selling rate for the U.S. dollar in *Thailand* fluctuated between 20.81 baht and 21.10 baht, and the rate for sterling between 58.10 baht and 59.11 baht, during 1958. With the establishment of external convertibility for sterling, the problem of disorderly cross rates no longer arises in Thailand. The quotations at the end of April 1959 were 21.20 baht for the U.S. dollar and 59.71 baht for sterling.

The exchange rate for the *Canadian* dollar, which since September 1950 has been allowed to fluctuate in accordance with supply and demand conditions in the exchange market, with the Exchange Fund intervening only in order to contribute to orderly market conditions, averaged US\$1.0303 during 1958, compared with an average rate of US\$1.043 in 1957. The difference between these average rates can be attributed to the reduction in 1958 of the long-term capital inflow, the effect of which more than offset an increased net short-term capital inflow and a reduced current account deficit. Variations in exchange market conditions, mostly in relation to short-term capital movements, produced fairly wide fluctuations in the rate during the year. A peak of US\$1.0437 was reached in June 1958, and with minor interruptions the rate remained above US\$1.04 through mid-August. In September it declined to US\$1.0175, but by the end of December 1958 it had recovered to US\$1.0371. In February 1959 it again declined, to US\$1.0194, but subsequently rose and at the end of April was US\$1.0391. Official reserve holdings increased in 1958 by about US\$110 million, to US\$1,939 million; in 1957 there had been a reduction of about the same amount.

The 1958 increase was entirely in holdings of U.S. dollars; during the year the Exchange Fund purchased about US\$133 million of domestically produced gold, but its gold holdings declined by US\$20 million. During the first four months of 1959, Canada's reserves were reduced by US\$28 million.

In *Lebanon* and the *United Arab Republic (Syrian Region)*, there are no exchange transactions at the par values of 2.19 pounds per U.S. dollar agreed by these countries with the Fund. The acute political disturbances of 1958 caused only a slight depreciation of the Lebanese pound in the Beirut free market, the U.S. dollar rate moving from LL 3.16 in April to LL 3.22 in July. Thereafter, the rate improved gradually: by early 1959 it had returned to the precrisis level, and in March it was quoted at LL 3.15. The Syrian pound was fairly stable in the first half of 1958 but weakened in the latter half of the year. Payments difficulties were due in part to a decrease in exports, and the free market rate moved from LS 3.59 per U.S. dollar in August to LS 3.76 at the end of the year. However, in early 1959 the rate recovered and by February it had returned to LS 3.62. The controlled exchange rate applying to most trade transactions remained unchanged in terms of the U.S. dollar throughout 1958 and early 1959.

The number of Fund members that have endeavored to ease the transition from a complex multiple currency system to a unitary fixed rate system was increased in December 1958 when, as part of a general program of stabilization, a single exchange market was established in *Argentina* in which the peso is free to fluctuate, without direct restrictions, in accordance with changing conditions of supply and demand.

The background of the continued depreciation of the exchange rate structure in *Argentina* during the greater part of 1958 has been described in Chapter IV. Up to December, depreciation was brought about principally in the same way as in the previous year, viz., through successive adjustments of export surrender prices and the transfer of selected import commodities to the free market and to higher surcharge categories. In August 1958, the introduction

of fixed proportion mixing arrangements for both exports and imports resulted in a further depreciation of the effective buying and selling rates. As the balance of payments position continued to weaken, the free market exchange rate depreciated from about M\$N 42 per U.S. dollar at the end of April 1958 to a low of M\$N 75 in November.

When the single free market was established at the end of 1958, export taxes of 20 per cent on most agricultural products and 10 per cent on animal products were also imposed. Various import categories were made subject to surcharges, initially of 20 per cent, 40 per cent, and 300 per cent, and to different advance deposit requirements. During December 1958 there was a slight appreciation of the exchange rate to about M\$N 70, which reflected a restoration of confidence when the stabilization program was initiated. When the exchange market, which was closed for some time to facilitate the transition to the new system, was reopened on January 12, 1959, the unified rate was quoted at about M\$N 67 per U.S. dollar. Subsequently the rate depreciated and at the end of April 1959 it was M\$N 80.

Fluctuating exchange rates were maintained throughout 1958 in Peru, Chile, Bolivia, Colombia, and Paraguay. In *Peru*, where two free markets had been established in November 1949, the certificate rate, which had been maintained since 1954 at S/. 19 per U.S. dollar, began to depreciate in January 1958, when official support was withdrawn from the certificate market; this movement continued until July, when the rate was quoted at S/. 25 per U.S. dollar. Thereafter there were slight fluctuations, with the Central Reserve Bank intervening to support the rate from time to time. The lowest figure quoted in 1958 was S/. 25.48 per U.S. dollar on November 12. In the first quarter of 1959, the certificate rate again came under pressure as a result of further credit expansion and some speculative activity and, despite some exchange sales in the certificate market by the Central Reserve Bank, the rate fell in February to S/. 27.32 per U.S. dollar. Quotations for sterling certificates followed closely those for U.S. dollar certificates, with sterling certificates generally at a slight premium in

the early months of 1959. The movements in the free or draft market rate paralleled those of the certificate rate, the free market rate usually being quoted at a discount of less than 1 per cent against the certificate rate.

In *Chile*, the two fluctuating exchange markets, which had been established in 1956, were combined in January 1959. The rate in the Brokers' Free Market, in which transactions in invisibles were effected, depreciated from Chil\$980 per U.S. dollar at the end of April 1958 to about Chil\$1,100 at the end of the year, primarily as a result of domestic inflation. In the Banking Free Market, which served trade transactions, the rate depreciated from Chil\$757 at the end of April 1958 to Chil\$838 by November. The depreciation in this market was limited by substantial support from the Central Bank, and the spread between the two markets accordingly widened substantially. In December, the Banking Free Market rate was permitted to depreciate to Chil\$993; the spread was thus reduced to about 10 per cent and the markets were then combined. The unified market started to operate at a selling rate of Chil\$1,051, which was approximately halfway between the closing rates in the two markets that had previously been in operation. The stabilization program of April 1959 includes the creation of a new monetary unit, the escudo, equivalent to Chil\$1,000.

In the single fluctuating exchange market which has been in operation in *Bolivia* since December 1956, a U.S. dollar exchange rate of Bs 8,855 was maintained from March through July 1958. The effort to maintain this rate was prompted largely by apprehension of price increases and wage demands. With declining earnings from exports and a resurgence of inflationary pressures produced by large wage increases and expanded fiscal deficits, however, the authorities found it necessary to allow the rate to depreciate. After a minor depreciation in August, exchange operations were suspended for ten days in September pending a study of new policies. At the reopening of operations on October 1, the rate was quoted at Bs 10,890; it depreciated further by the end of the year to Bs 11,885 per U.S. dollar, a rate which has since been maintained.

Further modifications in the exchange system of *Colombia* were made by legislation adopted in January 1959. The basic system of an exchange certificate market with a fixed buying rate and exchange auctions, and a free exchange market with a fluctuating rate, was maintained. However, a preferential fluctuating exchange rate, based on the average free market rate of the preceding week, is applied to minor exports, while the official buying rate of Col\$6.10 per U.S. dollar continues to be applied to major exports. The auction rate, which previously applied only to imports and specified nontrade payments, was extended to part of the proceeds from refined petroleum exports. Moreover, payments for freight and insurance costs connected with importation were again permitted through the auction market instead of the free market as had been the practice since March 1958. The legislation also authorized special exchange rates, which would involve mixing between the official and the free market rates, for exports of manufactured goods with an import component.

The use of the 15 per cent export tax applicable to coffee, bananas, and precious metals, which had originally been imposed for the repayment of foreign debts, is to be changed gradually. Beginning in 1959, a small part of this tax is to be used to reduce the indebtedness of the National Federation of Coffee Growers to the central bank and to finance further coffee stockpiling, and the part so used will be increased in successive years.

The certificate rate in the auction market fluctuated for the most part between Col\$6.50 and Col\$7.00 per U.S. dollar from the opening of the auctions in March 1958 through June. Thereafter it appreciated to about Col\$6.40 per U.S. dollar and has remained fairly steady around that level since September 1958. The free market rate depreciated from about Col\$7.50 at the end of April 1958 to over Col\$8.00 per U.S. dollar toward the end of November; thereafter the dollar rate fluctuated within narrow limits around Col\$8.00.

The single fluctuating exchange market in *Paraguay*, which was established in August 1957 as part of a general stabilization program, operated throughout 1958 with a stable U.S. dollar ex-



change rate of about G 111. Reserves declined by about \$1 million, and there was also a drastic change in their composition, convertible exchange reserves being virtually exhausted. The main reason for this was the payments arrangements with Argentina, which operated in such a way as to divert payments for many Paraguayan imports into the free market in Argentina—which in effect meant payment in convertible exchange—while settlements for Paraguayan exports continued to be effected under the bilateral payments agreement. As a result, the demand for convertible exchange was accentuated while under the agreement with Argentina there was a substantial accumulation of inconvertible balances. In January 1959, the authorities ceased to quote a rate for the U.S. dollar, and the exchange rate depreciated by the end of February to G 122.5 per U.S. dollar. The Central Bank has quoted the payments agreement currencies at a discount on the convertible U.S. dollar, except that prior to January 1959 the Argentine agreement dollar was dealt in at par.

### Other Changes in Exchange Practices

During the past year *Brazil* made a number of important changes in its multiple exchange rate structure which involved progressive devaluation of both export and import rates. Intermediate measures taken in June included a depreciation of the rate applicable to exports other than coffee and cocoa. The rates for preferential imports—those not subject to the auction system—also were devalued at that time, and again later in the year. In July the average effective rate for coffee was depreciated, and in October there was further depreciation for a number of export commodities, some being placed in the free market. In early 1959, the variable premium that had applied to coffee exports in combination with an exchange rate of Cr\$37 per U.S. dollar was abolished and a uniform rate of Cr\$60 was applied to that commodity. At the same time, the export rate for cocoa beans and certain derivatives was raised from Cr\$43 to Cr\$70, while prac-

tically all other exports were granted the rate of Cr\$100. Imports eligible for preferential rate treatment, with the exception of newspaper and parts for automobile assembly, were made subject to a single rate of Cr\$100. In April 1959, the exchange proceeds from cotton and sugar exports, and also payments for freight and insurance on imports, were transferred to the free market.

These steps were taken in the face of continued inflationary conditions and balance of payments pressures, which in turn were related to large fiscal deficits and a steady expansion of credit to the private sector combined with declining coffee exports. These circumstances also produced a sharp depreciation in the market exchange rates for the cruzeiro. The auction premium for general imports rose from Cr\$121 per U.S. dollar at the end of April 1958 to Cr\$198 at the end of December. After wide fluctuations early in 1959, which were due principally to variations in the amount of exchange offered at auction, the premium was back to Cr\$199 at the end of April. The premium for special category imports rose from Cr\$268 per U.S. dollar at the end of April 1958 to Cr\$325 at the end of December; at the end of April 1959, the premium was Cr\$318.5.

In the free market, which is used primarily for nontrade transactions, the exchange rate for the U.S. dollar moved from about Cr\$120 at the end of April 1958 to Cr\$136.5 at the end of April 1959. Throughout the year the rate for the U.S. dollar was lower in this market than in the auction market. Such a situation arises partly because free market exchange cannot be used legally to pay for imports. In the early months of 1959, there was some appreciation of the free market rate from the lowest rates reached in 1958—a trend attributable to the transfers, which were noted above, of export proceeds to the free market.

On November 21, 1958, the exchange rate in *China* (Taiwan) was depreciated for certain transactions. In April 1958, the number of effective rates had been reduced to two: one, NT\$24.58 per U.S. dollar (buying) and NT\$24.78 (selling), applied to essential imports, exports of sugar, rice, and salt, and government invisibles, and the other, NT\$36.08 (buying) and NT\$36.38 (selling), to all

other imports and exports and to private invisibles. For a short time in November, the rate of NT\$36.08 (buying) and NT\$36.38 (selling) was applied generally. Subsequently, the rate applying to all other imports and exports and to private invisibles was allowed to fluctuate, and since January 1959 this rate has been applied also to exports of salt. In April 1959, the fluctuating rate averaged NT\$38.28 per U.S. dollar.

In March 1959 *Denmark* decided to liquidate its dollar export arrangement: the premium obtained by exporters who have dollar proceeds was to remain at 6 per cent until the end of 1959; as of January 1, 1960 it will be reduced to 4 per cent, and as of January 1, 1961 to 2 per cent. At the end of 1961, the system will be completely abolished. In February 1959, the annual quota for tourist travel, etc., to the Western Hemisphere was abolished and dollars and externally convertible currencies were made available for travel to all foreign countries except Spain, Israel, and the countries of Eastern Europe with which Denmark has bilateral arrangements, with the condition that the amount purchased must be in reasonable proportion to the trip planned. The limit of DKr 500 on the importation of Danish banknotes was abolished in June 1958.

In *Finland*, the amount of foreign exchange which residents may purchase for each trip abroad was raised on March 23, 1959 from Fmk 20,000 to Fmk 40,000 for travel within the Scandinavian countries and from Fmk 40,000 to Fmk 80,000 for travel to other countries. The levy on export proceeds, introduced after the devaluation in September 1957, was reduced gradually, and on September 15, 1958 it was abolished.

In May 1958 *Iceland* introduced major changes in its exchange system. New exchange premiums of 55, 70, and 80 per cent on export proceeds were introduced, replacing the assistance previously granted to exports through various forms of subsidization. Discrimination between countries of destination was terminated. The premium of 55 per cent was also made applicable to the proceeds from most invisibles and capital. New exchange taxes of 30 and 55 per cent were applied to payments for all imports, re-

placing the previous exchange tax of 16 per cent. Import fees of 22, 40, and 62 per cent, depending on the type of commodity, replaced the previous fees. Payments for most invisibles were subjected to the 55 per cent tax, and an additional fee of 45 per cent was payable on exchange licenses for travel.

In *Indonesia*, the Export Certificate System (*Bukti Ekspor* or BE System), which was introduced in June 1957, has undergone some significant modifications since early 1958. Contrary to the original intention and practice of allowing the export certificate rate to fluctuate freely in accordance with market forces, the Indonesian exchange authorities began in the early months of 1958 to control the range of fluctuations. Since April 19, 1958, the BE rate has been pegged at Rp 37.848 per U.S. dollar, which is 332 per cent of the nominal official exchange rate of Rp 11.40.

In July 1958 the Export Certificate System was extended to the foreign oil companies in Indonesia. To cover their local expenditures, these companies had hitherto purchased rupiah from the Foreign Exchange Institute at the official rate of Rp 11.40 per U.S. dollar. Under the new regulations, the rate for all exchange transactions of the oil companies was to be the average of the daily effective rates for exports during the preceding month. At the present pegged BE rate of Rp 37.848, this rate is Rp 30.278 per U.S. dollar.

In view of the adverse balance of payments position in 1958, quantitative import restrictions were reintroduced early in the year; however, they were relaxed somewhat in the last quarter. The 100 per cent advance deposit requirement against applications for import licenses, based on the c. and f. value of imports at the official rate, which had been restored early in 1958, was raised to 133 $\frac{1}{3}$  per cent as from January 2, and to 230 per cent as from April 16, 1959.

Changes in the course of the past year in *Israel's* multiple exchange rate system tended to reduce the number of effective export rates, while the average value of the premiums given was increased. Most discounts on the proceeds of exports to certain countries were abolished. The application of the retention quota

system was reduced in several important export branches. Import licensing procedures were liberalized for a number of products, particularly raw materials for industry, while special surcharges were imposed on imports of these products. Foreign tourists in Israel now receive a premium of 20 per cent on the official rate on exchanging their foreign currency into Israel pounds. This premium has replaced the 20 per cent discount which tourists had formerly received at approved hotels and shops.

During the past year *Nicaragua's* exchange rates for trade transactions were almost completely unified by gradually moving the export rate to the official rate, C\$7.00 per U.S. dollar. Previously, the rate for most exports had been C\$6.60 and the rate for imports had been an official rate based on the par value. The C\$7.00 rate, which had been granted to exports of cotton and certain minor exports in late 1957, was extended to coffee exports in October 1958. Subsequently, the remaining minor exports, except the current crop of cottonseed, were shifted to the official rate. By the end of the crop year, all trade transactions were thus to be unified at an exchange rate based on the par value. The gradual elimination of the exchange differential was designed to maintain Nicaragua's export trade in the face of declining international prices.

Major changes in the exchange practices of *Turkey* were made in 1958 as a part of the country's stabilization program. Effective August 4, 1958, the previous complex exchange system was replaced by a simplified structure of rates consisting of a single effective selling rate and three effective buying rates. All transactions take place at these rates, and the other multiple rate practices formerly in effect have been eliminated. Under the new system, the effective export rates result from adding premiums of LT 2.10, LT 2.80, and LT 6.20 per U.S. dollar to the par value rate of LT 2.80 per U.S. dollar. The single import rate is LT 2.8252 plus a surcharge of LT 6.20 per U.S. dollar.

At the same time, Turkey made extensive changes in the administration of its exchange control. The many separate regimes under which imports had taken place were replaced by a system

of global import quotas set periodically for specified commodities. A system of advance deposits for imports was established. The export regime was also considerably simplified by the elimination of barter transactions. A number of specified exports, however, still require licenses. New rules were established for transfers to Turkey of funds for investment purposes and for capital remittances abroad.

Under the pressure of a deteriorating balance of payments situation, several modifications were made during 1958 in the exchange system of *Uruguay*. The deterioration was associated with intensified inflationary pressures and special export difficulties. Although the 1957-58 wool clip was one of the largest on record, declining world prices and speculation on the rate of exchange likely to be applicable to wool kept exports of wool at depressed levels. Meat exports continued to be hampered by domestic price and supply factors.

Various techniques were used within the framework of Uruguay's complex exchange system to provide more remunerative effective exchange rates for exports and to restrain imports. In June, premiums were granted for a number of minor exports, in order to depreciate some of the export rates beyond the "free commercial" buying rate, which was held at Ur\$4.10 per U.S. dollar, and in December similar treatment was extended to exports of meat. These premiums range as high as 77 per cent. In September, the effective rates for major exports, including wool and wool products, were devalued by increasing the ratio of the "free commercial" rate to the official rate. At the same time, the average effective rate for imports was devalued by transferring a list of commodities from the basic selling rate of Ur\$2.10 to the "free commercial" rate of Ur\$4.11 per U.S. dollar. In December, a limited amount of imports was, for the first time, given access to the free financial market, additional surcharges being at the same time imposed upon them. Quantitative restrictions on imports were intensified in 1958, and imports were reduced to about 60 per cent of their average value in recent years. With the help of

these measures, the outflow of international reserves in 1958 was kept considerably smaller than in 1957.

As a result of the inflationary pressures, the weakening balance of payments situation, and its effect on public confidence, the free financial rate depreciated from about Ur\$6.80 in April 1958 to Ur\$10.20 in December 1958. By the end of April 1959, the rate had recovered to Ur\$8.95.

In the course of the year, *Yugoslavia* continued to simplify somewhat its complex rate structure. On July 23, 1958, the number of export coefficients (by which the settlement rate is multiplied in order to obtain the effective exchange rate for each group of commodities) was reduced from 16 to 14 and the number of import coefficients from 19 to 12. Beginning June 25, 1958, prior approval was required for imports of parts, equipment, machinery, and transport equipment purchased by manufacturing enterprises for the purpose of assembly in Yugoslavia, as well as for all finished equipment goods. Prior approval was also required for the importation of consumer goods. Imports of several types of motor vehicles were made subject to license.

## VI

# Gold Production and Prices

### Gold Production

**T**OTAL world production of gold, defined as excluding output in the U.S.S.R. and countries associated with it, increased by nearly 3 per cent in 1958, to 30 million fine ounces or about 800,000 ounces more than in 1957. Valued at US\$35 per ounce, output in 1958 was \$1,049 million, compared with \$1,021 million in 1957, \$980 million in 1956, and \$945 million in 1955. Production in 1958, which was a postwar high, was about 9 million ounces more than the 1945 postwar low, but it was about 17 per cent (or 6 million ounces) less than the all-time peak attained in 1940, when production was valued at \$1,264 million (Table 27).

About 78 per cent of the increase in total output from 1957 to 1958 was due to the continued expansion of gold mining in the Union of South Africa. Output in that country in 1958 was 17.7 million ounces (\$618 million), the highest ever recorded, and accounted for about 59 per cent of total world production. In 1957 South African output had been 17.0 million ounces (\$596 million) and in 1951, 11.5 million ounces (\$403 million). The increase in 1958 was about half that recorded in each of the four preceding years; further moderate increases may be expected as the new mines in the Orange Free State and on the Far West Rand develop. The grade of ore is higher in these newer mines than in the older mines on the Witwatersrand, so that the yield per ton of



TABLE 27. WORLD GOLD PRODUCTION, EXCLUDING OUTPUT OF U.S.S.R. AND ASSOCIATED COUNTRIES

(In millions of U.S. dollars at US\$35 per fine ounce)

|                       | 1940               | 1945 | 1954 | 1955 | 1956 | 1957  | 1958  |
|-----------------------|--------------------|------|------|------|------|-------|-------|
| Union of South Africa | 492                | 428  | 463  | 511  | 556  | 596   | 618   |
| Canada                | 186                | 95   | 153  | 159  | 153  | 155   | 159   |
| United States         | 170                | 32   | 65   | 66   | 65   | 63    | 63    |
| Australia             | 57                 | 31   | 39   | 37   | 36   | 38    | 39    |
| Ghana                 | 31                 | 19   | 28   | 24   | 22   | 28    | 29    |
| Southern Rhodesia     | 29                 | 20   | 19   | 18   | 19   | 19    | 19    |
| Colombia              | 22                 | 18   | 13   | 13   | 15   | 11    | 12    |
| Philippines           | 39                 | —    | 15   | 15   | 14   | 13    | 15    |
| Mexico                | 31                 | 17   | 14   | 13   | 12   | 12    | 12    |
| Other <sup>1</sup>    | 207                | 76   | 88   | 89   | 88   | 86    | 83    |
| Total <sup>1</sup>    | 1,264 <sup>2</sup> | 736  | 897  | 945  | 980  | 1,021 | 1,049 |

Source: International Monetary Fund, *International Financial Statistics*.

<sup>1</sup> These figures include estimates for data not available.

<sup>2</sup> All-time peak production.

ore mined has risen steadily in recent years, from 4.553 dwt. in 1956 to 5.000 dwt. in 1957 and to 5.228 dwt. in 1958. This increase, together with the steady expansion of the native labor force, which reached 329,000 at the end of 1958, helped to make 1958 an outstanding year in the history of gold production in the Union of South Africa.

In Canada, output increased in 1958 by \$4.1 million, to \$158.8 million, about the same as the postwar high of 1955. Increases of about \$1.5 million were recorded in Ghana and the Philippines, of about \$0.6 million in Australia, and of about \$0.5 million in Southern Rhodesia. Small increases elsewhere in 1958 were approximately equal to the small decreases recorded in India and Mexico.

High production costs continue to be a matter of concern to the gold mining industry in most major gold producing countries. Where possible, mines have shifted from the production of lower grade to that of higher grade ore; some mines are unable to make this shift, and therefore have had difficulty in maintaining a reasonable margin of profit. In South Africa, indeed, the rise in working costs in 1958, from 45s. 4d. per ton of ore milled to 46s. 11d., was not so great as in 1957, and the total profits of South African gold mining again increased. In 1950 South African working costs had been 29s. 7d. per ton and in 1956, 42s. 11d. The aver-

age working profit from gold per ton of ore milled, which had been 14s. 4d. in 1956 and 17s. 6d. in 1957, rose to 18s. 10d. in 1958. Likewise, the combined working profits from gold and uranium, which had risen from £73.1 million in 1956 to £91.1 million in 1957, increased further, to £99.1 million, in 1958. Working profit from gold rose by £3.5 million, to £61.4 million, and profit from uranium by £4.4 million, to £37.7 million. Dividends paid by all producers of gold and uranium during 1958 amounted to £43.4 million, compared with £37.6 million in 1957 and £29.1 million in 1956. The high dividend yields on gold shares, as well as the generally favorable tax status accorded by South Africa to foreign investors, encouraged further foreign investment in the industry. But, while the total profitability of the gold mining industry in South Africa reached an all-time peak in 1958, 21 of the 32 nonuranium producers had working profits smaller than in 1957. The South African Minister of Mines stated in Parliament last year that his Department regarded 14 mines as being in fact marginal mines. These mines employed roughly one quarter of the total labor force of the industry, both European and native. The Minister stated that the Government could not do much to promote the establishment of industries within the municipal areas of towns likely to be affected by the closing of marginal gold mines, but that the local authorities were doing everything in their power to encourage such a movement.

The gold subsidy programs of the Governments of Australia, Canada, and Colombia, discussed in previous Annual Reports, are still in operation. During the past fiscal year of the Fund, Canada modified its subsidy program, and the Government of Fiji adopted measures to give relief to its only gold producer. The Fund deemed both of these programs, described below, to be consistent with the objectives of its statement of December 11, 1947 on gold subsidies.

In August 1958, the Government of Canada amended the Emergency Gold Mining Assistance Act to extend the subsidy authorized by that Act through the calendar years 1959 and 1960,

and to provide for a 25 per cent increase in the amount of assistance for the years 1958, 1959, and 1960. The basic structure of the subsidy formula remained unchanged. Under this formula, the subsidy provided for eligible mines is equal to two thirds of the excess of the costs of production over Can\$26.50 per ounce, up to a maximum of Can\$12.33 per ounce. The subsidy applies to two thirds of the output of the assisted producers. The increase of 25 per cent in the amounts payable to individual mines is intended to offset a continuing rise in production costs and the effects of the free exchange rate of the Canadian dollar. The subsidy is paid to mines that produce only gold and that have production costs high enough to justify assistance; it is not payable to base metal mines which produce gold as a by-product. Gold mines ineligible for assistance and base metal mines are permitted to sell their gold on the free market. Mines receiving assistance are required to sell their output to the Royal Canadian Mint for the equivalent in Canadian dollars of US\$35 per fine ounce. Since the Canadian dollar has been at a premium over the U.S. dollar in recent years, the price paid by the Mint for gold has been proportionately reduced; during 1958 it fluctuated between Can\$33.58 and Can\$34.62 per fine ounce. The total amount of subsidy paid for the year ended March 31, 1959 is estimated at Can\$11.6 million, compared with Can\$8.6 million for the previous year.

The United Kingdom, which has accepted the Fund's Articles of Agreement in respect of Fiji, consulted the Fund in February 1959 with regard to a plan of financial assistance to Fiji's only gold producer, under which the amount of subsidy would be related to the economic need of the mine. An annual subsidy of £ 150,000 is to be paid to the mining company in each of the years 1958-59, 1959-60, and 1960-61, on condition that the company shall carry out capital development, costing an equal or greater amount, on mine buildings, plant, and underground workings (exclusive of staff or employees' housing) during the period of the subsidy; the company shall be required to refund to the Government all sums received by way of subsidy in excess of the cost of such capital works; and in the event of production in any one year falling below

75,000 ounces, the subsidy shall be reduced below £150,000 at the rate of £2 per ounce of the shortfall.

The Fund has approved similar plans involving subsidy payments to individual mines where the assistance was related to the economic need of the mines and the object of which was to sustain a volume of production close to the current production and not to stimulate increased output. Fund members considering the introduction of subsidy schemes to prevent a reduction in gold output, as well as those which desire to amend existing subsidy programs, have an obligation to consult with the Fund on the measures to be introduced.

## Gold Reserves

The economic background of the important shifts which took place during 1958 in the distribution of the world's gold reserves has been sketched in an earlier chapter of this Report. The outstanding developments were the increase of \$3.1 billion in the gold holdings of the major industrial countries of Western Europe, and the decline of \$2.3 billion in U.S. gold holdings, with the rest of the Western European accumulation coming from new production and sources other than the United States.

The stock of gold held by the monetary authorities in the world (excluding the U.S.S.R. and the countries associated with it, but including the Fund and the Bank for International Settlements as well as the European Fund, the successor to the European Payments Union) is estimated to have increased during 1958 by about \$740 million, compared with increases of about \$735 million in 1957, \$550 million in 1956, and \$215 million, a postwar low, in 1951. Gold sales in Western European countries by the U.S.S.R., estimated at about \$210 million, were equivalent to more than one fourth of the increase in 1958. Since the value of last year's gold output outside the U.S.S.R. was \$1,049 million, the total increase in the amount of gold that became available to the rest of the

world was thus about \$1,260 million. The amount of gold absorbed by the arts and industries or by private hoards in 1958 may therefore be estimated at about \$570 million, which is not very different from the estimate for 1957.

At the end of 1958, world monetary gold reserves—as defined above, and without taking account of the adjustment of BIS holdings suggested in Chapter III—amounted to approximately \$39.9 billion, \$5.2 billion more than at the end of 1948 and \$13.9 billion more than at the end of 1938, an increase of about 53 per cent during the twenty-year period. Of the increase between 1938 and the end of 1958, about \$6 billion went to the United States, \$4 billion to Continental European countries, \$1.8 billion to international monetary organizations, \$1 billion to Latin American countries, \$900 million to Canada, and \$200 million to the United Kingdom and other sterling area countries. Of more significance are the shifts in the actual holdings of individual countries and in the proportions held by them of the total gold reserves of the world. The redistribution of gold holdings between 1938 and 1948 and between 1948 and 1958 is shown in Table 28. The holdings of the United States increased from \$14.6 billion (56.1 per cent of the world's monetary gold) at the end of 1938 to \$24.4 billion (70.3 per cent) at the end of 1948, but declined to \$20.6 billion at the

TABLE 28. DISTRIBUTION OF ESTIMATED GOLD RESERVES AT END OF YEAR, 1938, 1948, AND 1958

|  | 1938                        |                         | 1948                        |                         | 1958                        |                         |
|--|-----------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|
|  | In millions of U.S. dollars | Per cent of world total | In millions of U.S. dollars | Per cent of world total | In millions of U.S. dollars | Per cent of world total |
| International monetary agencies <sup>1</sup> | 14                          | —                       | 1,472                       | 4.2                     | 1,796                       | 4.5                     |
| United States                                | 14,592                      | 56.1                    | 24,399                      | 70.3                    | 20,582                      | 51.6                    |
| Canada                                       | 186                         | 0.7                     | 401                         | 1.2                     | 1,078                       | 2.7                     |
| United Kingdom and sterling area             | 3,411                       | 13.1                    | 2,187                       | 6.3                     | 3,605                       | 9.1                     |
| Continental European countries               | 6,100                       | 23.5                    | 3,520                       | 10.1                    | 10,050                      | 25.2                    |
| Latin American countries                     | 710                         | 2.8                     | 1,620                       | 4.7                     | 1,730                       | 4.3                     |
| Rest of world <sup>2</sup>                   | 990                         | 3.8                     | 1,090                       | 3.2                     | 1,024                       | 2.6                     |
| <b>Total<sup>2</sup></b>                     | <b>26,000</b>               | <b>100.0</b>            | <b>34,700</b>               | <b>100.0</b>            | <b>39,865</b>               | <b>100.0</b>            |

Source: International Monetary Fund, *International Financial Statistics*.

<sup>1</sup> International Monetary Fund, Bank for International Settlements, and European Fund.

<sup>2</sup> Excluding the U.S.S.R. and associated countries.

end of 1958; at 51.6 per cent, the U.S. percentage of the world's total holdings was then slightly less than in 1938. The holdings of Continental European countries, which had declined by \$2.6 billion during and after World War II, rose by \$6.5 billion during the second ten-year period, to about \$10.1 billion at the end of 1958 (25.2 per cent of the world's monetary gold, compared with 23.5 per cent in 1938). While the holdings of the United Kingdom and other sterling area countries rose by \$1.4 billion during the second ten-year period, their percentage of the world's gold stocks declined from 13.1 per cent at the end of 1938 to 9.1 per cent at the end of 1958. The share of the "Rest of the World" declined from 3.8 per cent to 2.6 per cent during the twenty-year period. The aggregate gold holdings of Latin America doubled during the first ten-year period, to \$1.6 billion at the end of 1948, and increased during the second ten-year period by about \$110 million. Substantial reductions in the gold reserves of Argentina and Cuba during the second ten-year period were more than offset by large increases in Mexico and Venezuela and smaller increases in some other countries.

The decline of \$2.3 billion in U.S. gold reserves during 1958 contrasted sharply with the increase of \$1.1 billion during the preceding two years. It was the largest outflow of gold from the United States in any single postwar year, the second largest, \$1.7 billion, having been recorded in 1950. Other countries whose gold reserves declined in 1958 were Argentina, Canada, Cuba, Egypt, Mexico, Peru, Spain, and Sweden, the aggregate decrease in these countries amounting to about \$250 million. EPU gold stocks fell by \$128 million, to \$126 million, which was turned over to the European Fund when the European Monetary Agreement became effective in December 1958. The largest increase in monetary gold reserves during 1958 was in the United Kingdom, where gold holdings increased by an estimated \$1,250 million, to about \$2,850 million. This increase exceeded by about \$510 million the estimated total increase in the official gold holdings of the world as a whole. The second largest increase was in Italy, where gold stocks rose by \$634 million, to \$1,086 million, after having

increased by \$114 million in 1957. Other increases in 1958 were \$355 million in Belgium, \$306 million in the Netherlands, \$207 million in Switzerland, \$97 million in Germany, \$91 million in Austria, \$36 million in Australia, \$32 million in Portugal, \$31 million in Japan, \$14 million in Iraq, and \$10 million in Colombia. The increase of \$152 million, to \$1,332 million at the end of 1958, in the gold holdings of the International Monetary Fund was mainly the result of repurchases, subscriptions, and charges paid in gold by Western European countries and, to a smaller extent, by other members of the Fund.

The decline in U.S. gold reserves continued during the early months of 1959. From January 1 through April 30, it amounted to \$224 million, most of which corresponded to substantial increases in Japan and in Western European countries. On April 30, 1959, U.S. gold holdings amounted to \$20.4 billion, or about 51 per cent of the world's monetary gold stock.

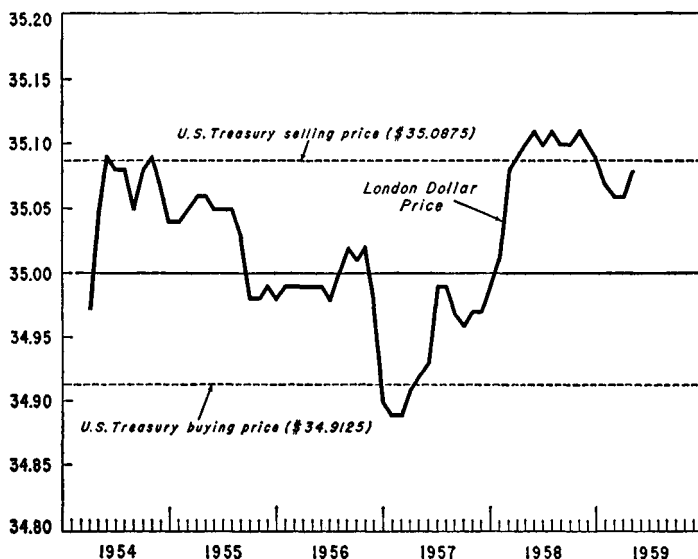
Of the total gold holdings at the end of 1958 of the monetary authorities of the world (as described above), \$29.2 billion, or about 75 per cent, was physically located in the United States. Gold held under earmark by the Federal Reserve Bank of New York for the account of foreign central banks and governments and international banking institutions rose by \$2 billion during the year, to about \$8.5 billion. Many central banks and governments find it to their advantage to have a portion of their gold reserves in the United States to meet current and future requirements, since the United States is prepared to buy and sell gold for official monetary purposes at a fixed price in unlimited amounts. Transfers on official account in 1958 between earmarked gold accounts held by the Federal Reserve Bank of New York amounted to approximately \$4.1 billion. In addition to purchases from and sales to the United States, there were movements of gold between foreign accounts as a result of monthly EPU settlements and of gold transactions facilitated by the services of the Bank for International Settlements and the Fund. The volume of gold movements between official accounts negotiated in the London market was again considerable, though it was probably less than in 1957.

## Gold Markets and Gold Prices

In 1958, the increased demand for gold by central banks exceeded by a wide margin the supply available from new production and from sales by countries other than the United States. The difference was made good by purchases from the United States, where during most of the year the price was lower than in London. The demand in the London market was met, for the most part, by

CHART 1. U.S. DOLLAR EQUIVALENT OF PRICE OF GOLD IN LONDON MARKET, MONTHLY AVERAGES, MARCH 1954-APRIL 1959

(In dollars per fine ounce)



sales of newly mined gold. In view of the strength of sterling, it was not necessary as in previous years for the Bank of England to sell gold to acquire U.S. dollars; instead, it was a net buyer of substantial amounts of gold. Thus the dollar price of bullion on the London market (converted at the sterling-dollar rate of exchange at the time of the daily fixing) remained above \$35 per fine ounce during nearly the whole of 1958 and in the early months of 1959 (Chart 1). From May through December 1958 the monthly aver-



age dollar price of gold in London was above the U.S. selling price of \$35.0875 per fine ounce. From time to time, however, central banks bought gold in London, especially when gold was available in both London and New York at the same price, or when the London price was less than the U.S. selling price. These periods were short, and during the greater part of the year substantial purchases of gold were made in New York. Some new arrangements have been made to facilitate purchases of gold by private citizens; in Canada, for example, one commercial bank offered for fixed fees its facilities for storing gold against which the bank issues "gold certificates," and the Toronto Stock Exchange announced that gold bullion would be listed for trading as from February 3, 1959.

During the past financial year, several countries took further measures to relax restrictions on the sale of gold and the movement of gold through their territories. The most significant steps were taken in connection with the adoption of external convertibility by 14 European countries in December 1958, which is described in detail elsewhere in this Report. At that time, the United Kingdom announced that as from December 29, 1958 dealings in gold would be permitted against "external" sterling or any foreign currency. On March 20, 1959, restrictions on forward dealings in gold were removed. Previously, any transaction that was not a spot transaction, that is, with delivery and payment within two working days, required the approval of the Bank of England. It is understood that, for the time being, the pre-1939 practice of having a daily fixing of forward gold prices, as there is for spot transactions, will not be revived.

In June 1958, a new government loan was offered in France, carrying interest at 3½ per cent and with repayments, which will begin in 1970, related to movements in the Paris market price of the napoleon. At the same time, in order to encourage the repatriation of foreign assets, the law of 1948 which prescribed a fine of 25 per cent on reimported capital was abrogated, provided that repatriation took the form of gold which was to be promptly offered for sale on the Paris gold market. It has been estimated

that through these operations the Bank of France acquired approximately 140 tons (4.5 million fine ounces) of gold and that of this amount some 3 million fine ounces came from dishoarding in France.

In the Federal Republic of Germany the last limitations on domestic trade in uncoined gold and gold coins were removed on January 26, 1959, and the import and export of gold and gold coins were made completely free. However, purchases and sales of gold, other than by the monetary authorities, are still subject to the general 4 per cent turnover tax. In April 1959, the Minister of Finance of the Union of South Africa announced that the South African Reserve Bank would sell gold bars to private purchasers outside the sterling area at a price corresponding to that on the London market. The bars to be sold are of the regular standard size of 400 fine ounces each, and the minimum individual purchase is fixed at 25,000 fine ounces. The Minister also stated that these sales were intended to encourage private ownership of gold, and that buyers may either leave the gold for safekeeping with the South African Reserve Bank or have it shipped to any country.

London bullion dealers continued to engage in gold transactions on a world-wide basis during the year. The Union of South Africa and other sterling area producers, together with the U.S.S.R., continued to be the main source of most of the fresh supplies in the London market. When the price of gold exceeded \$35 per fine ounce, most of the monthly EPU settlements were made in dollars and no longer contributed substantially, as they had done in previous years, to the market turnover of gold. Private operators purchase gold in London for export to the Middle East and the Far East; the estimate of the net absorption of gold by the arts and industries and by private hoarders in 1958 suggests that purchases on private account by nonresidents of the sterling area must have been on a comparatively small scale. The increased central bank demand for gold, together with the strong demand from the Middle East which was associated with the political uncertainties in that area, caused the price to remain firm when supplies were short in London. The price of bar gold in sterling at fixing increased from

249s. 2<sup>3</sup>/<sub>4</sub>d. per fine ounce on May 1, 1958 to 250s. 11d. on July 18, 1958. It did not fall below 250s. per fine ounce until January 8, 1959, after which a downward tendency was maintained, with the price falling to 248s. 11<sup>3</sup>/<sub>4</sub>d. on April 3, 1959. At the end of April it was quoted at 249s. 3<sup>1</sup>/<sub>2</sub>d., equivalent to \$35.09<sup>1</sup>/<sub>4</sub> at the day's dollar exchange rate. The fixing price in London rose to the equivalent of \$35.14 per fine ounce on October 8, 1958, the highest dollar equivalent at the fixing since the reopening of the London market in March 1954. When supplies became more plentiful, partly as a result of U.S.S.R. sales in late 1958 and early 1959, the price at fixing declined below the equivalent of the U.S. selling price at the end of the year, and on March 18, 1959 fell to \$35.04<sup>1</sup>/<sub>4</sub>. Subsequently, it rose to \$35.10 on April 20 as a result of renewed central bank demand.

The prices at which bar gold is traded directly for U.S. dollars in other markets deviated by only a few cents from the London dollar price during the year under review. In Zürich, for example, it was usually quoted a few cents per fine ounce above the London price, moving between the high of \$35.17<sup>1</sup>/<sub>2</sub> on July 17, 1958 and the low of \$35.06<sup>3</sup>/<sub>4</sub> on March 16-17, 1959. On April 30, 1959 the price was \$35.11<sup>1</sup>/<sub>2</sub> per fine ounce.

In Paris, the price of bar gold began to fall early in 1958, following the anti-inflationary measures adopted in December 1957, and this movement continued throughout most of the year, partly in response to the actions taken in June 1958, which have been described above. The rate quoted on October 13, 1958 was F 512,000 per kilogram. At the time of the devaluation of the French franc, the price of bullion advanced sharply, and on January 19, 1959 it was F 573,000 per kilogram. From January 21 to April 30, 1959, the price of bar gold remained within a narrow range, between F 568,000 and F 563,000 per kilogram, compared with F 555,000, the equivalent at the par value. During the period May 1–December 27, 1958, the U.S. dollar equivalent price of bullion fluctuated between a high of \$36.72 per fine ounce on May 19 and a low of \$35.85 on August 27. After the devaluation of the franc, this price remained within a narrower range of the

London dollar price, moving between a low of \$35.09 per fine ounce on December 29, 1958 and a high of \$35.86 on January 19 and April 27, 1959. On April 30, 1959, it was equivalent to \$35.74.

In Brussels, the U.S. dollar equivalent price of gold remained within a narrow range of the price in London from May 1 to December 31, 1958, moving between \$35.37 and \$35.14. In January 1959, it fluctuated more widely because of market technicalities; and from February 2 to April 30, 1959, it moved between \$34.94 and \$35.25 per fine ounce. In Milan, the price was slightly higher, fluctuating between \$35.20, the price in the last week of August 1958, and \$35.77 in the middle of January 1959; at the end of April, it was \$35.33 per fine ounce. Because of the political unrest in Lebanon, the U.S. dollar equivalent price of bullion in Beirut fluctuated more widely and at a slightly higher level than in the previous year. On April 30, it was quoted at \$35.19 per fine ounce. In Hong Kong, the U.S. dollar equivalent price of gold increased from a low of \$38.03 on June 6, 1958 to a high of \$38.68 on April 7, 1959; at the end of April, it was quoted at HK\$252.50 per tael (equivalent to \$38.65 per fine ounce at the day's T.T. Hong Kong dollar rate for the U.S. dollar).

In view of the rigid restrictions imposed on imports and exports of gold in India, the price of gold on the Bombay market is determined principally by local supply and demand conditions and is subject to wide fluctuations, depending upon the interplay of various economic forces and, to some extent, political and other factors. The price of gold rose from a low of Rs 104.19 per tola (equivalent to \$58.35 per fine ounce at par value) on July 10, 1958 to a new high of Rs 125.31 per tola (\$70.17 per fine ounce) on April 30, 1959, which exceeded the all-time peak of Rs 121.00 (\$97.78 per fine ounce at the predevaluation rate of Rs 3.3 per U.S. dollar in August 1948). The uptrend in the price of gold that developed in October 1958 was attributable partly to the imposition of martial law in Pakistan, which checked the clandestine import and export of gold, and action taken by the Indian Government to curb smuggling.

With a view to stopping the leakage of foreign exchange through the illegal export of rupee currency to the Persian Gulf area in payment for illicit gold imports, the Reserve Bank of India Act was amended in April 1959 to authorize the issue of special rupee banknotes for circulation in that area. These notes will not be legal tender in India; otherwise, they will be in the same position as the standard rupees formerly circulating in the area which were to be replaced and repatriated by June 22, 1959. The new notes will be freely convertible into sterling through banks in the Persian Gulf area; they may also be exchanged for Indian currency at the offices of the scheduled banks in India.

In the markets for gold coins, the prices of the sovereign and the napoleon continued in 1958 the gradual decline that began in 1957. The decline in the price of the sovereign is attributed to the release by the United Kingdom during 1958 of a substantial quantity of sovereigns for sale abroad. At the end of April 1959 the price of the sovereign in Paris and Brussels was lower by about \$0.90 and \$0.20 per fine ounce, respectively, than at the end of April 1958; in Beirut it was about the same as a year earlier, and in Milan it was about \$0.30 higher. In Paris it was equivalent to about \$40.20 per fine ounce, in Milan to \$40.70, in Brussels to \$39.85, and in Beirut to \$40.85. From the end of April 1958 to the end of April 1959, the price of the napoleon declined in Paris by the equivalent of about \$7 per fine ounce, to about \$38.70; in Milan, by \$4.50, to \$39.50; and in Beirut, by \$2.00, to \$39.20.

### Gold Transactions Service

Since the inauguration of the Fund's gold transactions service in March 1952, the central banks of 24 member countries and 3 international organizations have effected purchases and sales of gold through the facilities provided by the Fund. During most of the year under review, central bank requirements were met, in large part, by direct purchases of gold from the United States, since the

London dollar price of gold exceeded the U.S. selling price of \$35.0875. However, the Fund was able to facilitate the completion of 9 transactions totaling about \$61 million during the year. The total number of transactions since March 1952 is 95, amounting to about \$731 million.

## VII

# Fund Administration in 1958-59

### Training Program

**T**HE reorganization of the Fund's training program in 1957-58 permitted an increase in the number of participants during the past year when the program was further revised to give more attention to the problems and principles of financial policy formation. By studying both the potentialities and the limitations of financial policy, the participants in the program will be placed in a position where they can understand better the requirements for economic development and for the establishment of internal and external stability. Additional emphasis is also being placed on techniques for analyzing economic statistics as a basis for policy formation. While it is understood that it would not be practicable, or indeed desirable, for all countries to attempt to produce a range of statistical information as varied and as detailed as that available in some of the more developed countries, it is important in all countries that statistical information should be expanded in order to improve the general understanding of the problems that require attention and to make possible more effective government policies for dealing with them. These revisions should make the program still more effective in giving to the members of the staffs of central banks and government departments who participate in the program experience of a kind that will be of the greatest use when they return to their ordinary duties in their home countries.

The total number of participants in the Fund's training program since its inception in 1951 is 165 from 55 member countries. The experience gained by them has already had recognizable beneficial results in several countries in helping to ensure fruitful cooperation between the Fund and its members.

### Investment of Fund Assets

The Fund's program of investing not more than \$200 million of its gold in U.S. Treasury bills, which has been described in earlier Annual Reports, was continued during the past year. Investment income from May 1, 1958 to April 30, 1959 amounted to \$4,108,526.63 and was placed in the Special Reserve Account, which at the end of the fiscal year showed a balance of \$6,939,086.87.

### Information

In addition to its regular publications, the Fund published during the past fiscal year *International Reserves and Liquidity* (A Study by the Staff of the International Monetary Fund) and *Enlargement of Fund Resources Through Increases in Quotas* (A Report by the Executive Directors to the Board of Governors of the International Monetary Fund). Publication of the monthly *International Financial Statistics* and the weekly *International Financial News Survey* continued throughout the year. The publication program also included the *Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1958* (Thirteenth Annual Report); the *Ninth Annual Report on Exchange Restrictions*; the *Balance of Payments Yearbook*, Volume 10, 1956-57; and *Staff Papers*, Volume VI, Number 3, and Volume VII, Number 1. The monthly *Direction of International Trade* is published jointly with the International Bank for Reconstruction and Development and the Statistical Office of the United Nations.



## Administration

At the end of the fiscal year, the Fund staff numbered 437, including 9 temporary employees and 1 on extended leave. Thus during the year there was a net increase of 4. The total number of nationalities on the staff was 49, 1 less than in the previous year. In its recruitment program the Fund has maintained its policy of appointing staff members on as wide a geographical basis as possible, while at the same time giving due consideration to maintaining the highest standards of efficiency and technical competence. During the past year, 54 new staff members were recruited from 17 member countries.

In response to members' requests, the Fund has continued to provide experts for technical assistance in fields ranging from monetary stabilization programs to the compilation of financial statistics. The periods of assignment have varied between a few weeks and more than a year. Staff members on longer term assignments were made available during the past fiscal year to 7 countries.

During the past fiscal year the Fund's income of US\$27,173,212 exceeded its total expenditure by \$20,494,308. This excess was provisionally transferred to the General Reserve pending action by the Board of Governors. In addition, \$4,108,527 was received from the Fund's investment program during the year, and this amount was transferred to the Special Reserve.

The administrative budget approved by the Executive Directors for the period May 1, 1959–April 30, 1960 is presented in Appendix IX. A tabulation comparing the budget with the actual expenditures for the fiscal years 1958 and 1959 and a comparative statement of income are also presented there.

The Executive Board requested the Governments of Canada, Germany, and Guatemala to nominate members of the Audit Committee. The following nominations were made and confirmed: Mr. Ian Stevenson, Assistant Auditor General of Canada,

Ottawa; Mr. Horst Peckolt, Member of the Board of Directors of the Deutsche Revisions- und Treuhand Aktiengesellschaft; and Mr. Gabriel Orellana, Dean of the Faculty of Economic Sciences of the University of San Carlos de Guatemala. The report of the Committee is submitted separately. Appendix X gives the Auditors' Certificate, together with the audited Balance Sheet as of April 30, 1959, the audited Statement of Income and Expenditure, with supporting schedules, and audited financial statements of the Staff Retirement Fund.

*This page intentionally left blank*

## **APPENDICES**

*This page intentionally left blank*

Appendix I. MEMBERSHIP, QUOTAS, GOVERNORS, AND VOTING POWER  
as of April 30, 1959

| Member             | QUOTA                 |                      | Governor<br><i>Alternate</i>                                 | VOTES               |                      |
|--------------------|-----------------------|----------------------|--|---------------------|----------------------|
|                    | Amount<br>(000,000's) | Per Cent<br>of Total |  | Number <sup>1</sup> | Per Cent<br>of Total |
| Afghanistan        | \$ 10.0               | 0.11                 | Abdullah Malikyar<br><i>Mohammad Sarwar</i>                  | 350                 | 0.32                 |
| Argentina          | 150.0                 | 1.63                 | Emilio Donato del Carril<br><i>César Barros Hurtado</i>      | 1,750               | 1.60                 |
| Australia          | 200.0                 | 2.17                 | Harold E. Holt<br><i>B. B. Callaghan</i>                     | 2,250               | 2.06                 |
| Austria            | 50.0                  | 0.54                 | Eugen Margarétha<br><i>Franz Stoeger-Marenpach</i>           | 750                 | 0.69                 |
| Belgium            | 225.0                 | 2.44                 | Hubert Ansiaux<br><i>Maurice Williot</i>                     | 2,500               | 2.29                 |
| Bolivia            | 10.0                  | 0.11                 | Franklin Antezana Paz<br><i>Santiago Sologuren</i>           | 350                 | 0.32                 |
| Brazil             | 150.0                 | 1.63                 | Lucas Lopes<br><i>José Garrido Torres</i>                    | 1,750               | 1.60                 |
| Burma              | 15.0                  | 0.16                 | Soe Nyun<br><i>San Lin</i>                                   | 400                 | 0.37                 |
| Canada             | 300.0                 | 3.25                 | Donald Methuen Fleming<br><i>James Elliott Coyne</i>         | 3,250               | 2.97                 |
| Ceylon             | 15.0                  | 0.16                 | Stanley de Zoysa<br><i>Sir Arthur Ranasinha</i>              | 400                 | 0.37                 |
| Chile              | 50.0                  | 0.54                 | Felipe Herrera<br><i>Alvaro Orrego Barros</i>                | 750                 | 0.69                 |
| China              | 550.0                 | 5.96                 | Chia-Kan Yen<br><i>Pao-hsu Ho</i>                            | 5,750               | 5.26                 |
| Colombia           | 50.0                  | 0.54                 | Hernando Agudelo Villa<br><i>Jaime Tobón Villegas</i>        | 750                 | 0.69                 |
| Costa Rica         | 5.0                   | 0.05                 | Alvaro Castro<br><i>Alvaro Vargas</i>                        | 300                 | 0.27                 |
| Cuba               | 50.0                  | 0.54                 | Vacant<br><i>René Monserrat</i>                              | 750                 | 0.69                 |
| Denmark            | 68.0                  | 0.74                 | Svend Nielsen<br><i>Einar Dige</i>                           | 930                 | 0.85                 |
| Dominican Republic | 10.0                  | 0.11                 | J. A. Turull Ricart<br><i>Oscar Guaroa Ginebra Henríquez</i> | 350                 | 0.32                 |
| Ecuador            | 10.0                  | 0.11                 | Guillermo Pérez-Chiriboga<br><i>Clemente Vallejo</i>         | 350                 | 0.32                 |
| El Salvador        | 7.5                   | 0.08                 | Carlos J. Canessa<br><i>Vacant</i>                           | 325                 | 0.30                 |
| Ethiopia           | 6.0                   | 0.07                 | Tadesse Yacob<br><i>Yawand-Wossen Mangasha</i>               | 310                 | 0.28                 |

Appendix I (*continued*). MEMBERSHIP, QUOTAS, GOVERNORS, AND VOTING POWER  
as of April 30, 1959

| Member                          | QUOTA                 |                      | Governor<br><i>Alternate</i>                            | VOTES               |                      |
|---------------------------------|-----------------------|----------------------|---|---------------------|----------------------|
|                                 | Amount<br>(000,000's) | Per Cent<br>of Total |   | Number <sup>1</sup> | Per Cent<br>of Total |
| Finland                         | 38.0                  | 0.41                 | Klaus Waris<br><i>Jouko J. Voutilainen</i>              | 630                 | 0.58                 |
| France                          | 525.0                 | 5.69                 | Wilfrid Baumgartner<br><i>Jean Sadrin</i>               | 5,500               | 5.03                 |
| Germany, Federal<br>Republic of | 330.0                 | 3.58                 | Karl Blessing<br><i>Hans Karl von Mangoldt-Reiboldt</i> | 3,550               | 3.25                 |
| Ghana                           | 15.0                  | 0.16                 | K. A. Gbedemah<br><i>A. Eggleston</i>                   | 400                 | 0.37                 |
| Greece                          | 40.0                  | 0.43                 | Xenophon Zolotas<br><i>John S. Pasmazoglu</i>           | 650                 | 0.59                 |
| Guatemala                       | 5.0                   | 0.05                 | Gustavo Mirón<br><i>Francisco Fernández</i>             | 300                 | 0.27                 |
| Haiti                           | 7.5                   | 0.08                 | Maurice Télémaque<br><i>Antonio André</i>               | 325                 | 0.30                 |
| Honduras                        | 7.5                   | 0.08                 | Fernando Villar<br><i>Roberto Ramírez</i>               | 325                 | 0.30                 |
| Iceland                         | 1.0                   | 0.01                 | Gylfi Gislason<br><i>Thor Thors</i>                     | 260                 | 0.24                 |
| India                           | 400.0                 | 4.33                 | Morarji R. Desai<br><i>H. V. R. Iengar</i>              | 4,250               | 3.89                 |
| Indonesia                       | 110.0                 | 1.19                 | Loekman Hakim<br><i>R. Soegiarto</i>                    | 1,350               | 1.24                 |
| Iran                            | 35.0                  | 0.38                 | Ebrahim Kashani<br><i>Ahmad Majidian</i>                | 600                 | 0.55                 |
| Iraq                            | 8.0                   | 0.09                 | Abdulilah Hafidh<br><i>Saleh Kubba</i>                  | 330                 | 0.30                 |
| Ireland                         | 30.0                  | 0.33                 | Seamas O Riain<br><i>J. J. McElligott</i>               | 550                 | 0.50                 |
| Israel                          | 7.5                   | 0.08                 | David Horowitz<br><i>Martin Rosenbluth</i>              | 325                 | 0.30                 |
| Italy                           | 180.0                 | 1.95                 | Giuseppe Medici<br><i>Ugo La Malfa</i>                  | 2,050               | 1.88                 |
| Japan                           | 250.0                 | 2.71                 | Eisaku Sato<br><i>Masamichi Yamagiwa</i>                | 2,750               | 2.52                 |
| Jordan                          | 3.0                   | 0.03                 | Izzeddin Mufti<br><i>Abdul Karim Humud</i>              | 280                 | 0.26                 |
| Korea                           | 12.5                  | 0.14                 | In Sang Song<br><i>Young Hui Kim</i>                    | 375                 | 0.34                 |
| Lebanon                         | 4.5                   | 0.05                 | Nasr Harfouche<br><i>Farid Solh</i>                     | 295                 | 0.27                 |

Appendix I (*continued*). MEMBERSHIP, QUOTAS, GOVERNORS, AND VOTING POWER  
as of April 30, 1959

| Member       | QUOTA                 |                      | Governor<br><i>Alternate</i>                        | VOTES               |                      |
|--------------|-----------------------|----------------------|---|---------------------|----------------------|
|              | Amount<br>(000,000's) | Per Cent<br>of Total |   | Number <sup>1</sup> | Per Cent<br>of Total |
| Libya        | 5.0                   | 0.05                 | Vacant<br><i>Vacant</i> <sup>2</sup>                | 300                 | 0.27                 |
| Luxembourg   | 10.0                  | 0.11                 | Pierre Werner<br><i>Pierre Guill</i>                | 350                 | 0.32                 |
| Malaya       | 25.0                  | 0.27                 | Sir Henry H. S. Lee<br><i>W. H. Wilcock</i>         | 500                 | 0.46                 |
| Mexico       | 90.0                  | 0.98                 | Antonio Ortiz Mena<br><i>Rodrigo Gómez</i>          | 1,150               | 1.05                 |
| Morocco      | 35.0                  | 0.38                 | Abderrahim Bouabid<br><i>Mohamed Tahri</i>          | 600                 | 0.55                 |
| Netherlands  | 275.0                 | 2.98                 | M. W. Holtrop<br><i>E. van Lennep</i>               | 3,000               | 2.75                 |
| Nicaragua    | 7.5                   | 0.08                 | Guillermo Sevilla Sacasa<br><i>Léon DeBayle</i>     | 325                 | 0.30                 |
| Norway       | 50.0                  | 0.54                 | Erik Brofoss<br><i>Christian Brinch</i>             | 750                 | 0.69                 |
| Pakistan     | 100.0                 | 1.08                 | Abdul Qadir<br><i>Vaqar Ahmad</i>                   | 1,250               | 1.14                 |
| Panama       | 0.5                   | 0.01                 | Vacant<br><i>Henrique Obarrio</i>                   | 255                 | 0.23                 |
| Paraguay     | 7.5                   | 0.08                 | Gustavo F. A. Storm<br><i>Pedro R. Chamorro</i>     | 325                 | 0.30                 |
| Peru         | 25.0                  | 0.27                 | Andrés F. Dasso<br><i>Emilio G. Barreto</i>         | 500                 | 0.46                 |
| Philippines  | 50.0                  | 0.54                 | Miguel Cuaderno, Sr.<br><i>Eduardo Z. Romualdez</i> | 750                 | 0.69                 |
| Saudi Arabia | 10.0                  | 0.11                 | Ahmed Zaki Saad<br><i>Saleh Al-Shalfan</i>          | 350                 | 0.32                 |
| Spain        | 100.0                 | 1.08                 | Alberto Ullastres<br><i>Manuel Varela</i>           | 1,250               | 1.14                 |
| Sudan        | 10.0                  | 0.11                 | Abdel Magid Ahmed<br><i>Mamoun Beheiry</i>          | 350                 | 0.32                 |
| Sweden       | 100.0                 | 1.08                 | Per V. Åsbrink<br><i>S. F. Joge</i>                 | 1,250               | 1.14                 |
| Thailand     | 12.5                  | 0.14                 | Prince Viwat<br><i>Jote Guna-Kasem</i>              | 375                 | 0.34                 |
| Tunisia      | 12.0                  | 0.13                 | Hedi Nouira<br><i>Vacant</i>                        | 370                 | 0.34                 |
| Turkey       | 43.0                  | 0.47                 | Hasan Polatkan<br><i>Memduh Aytür</i>               | 680                 | 0.62                 |



Appendix I (*concluded*). MEMBERSHIP, QUOTAS, GOVERNORS, AND VOTING POWER  
as of April 30, 1959

| Member                   | QUOTA                 |                      | Governor<br><i>Alternate</i>                        | VOTES               |                           |
|--------------------------|-----------------------|----------------------|---|---------------------|---------------------------|
|                          | Amount<br>(000,000's) | Per Cent<br>of Total |   | Number <sup>1</sup> | Per Cent<br>of Total      |
| Union of<br>South Africa | 100.0                 | 1.08                 | T. E. Dönges<br><i>Daniel Hendrik Steyn</i>         | 1,250               | 1.14                      |
| United Arab<br>Republic  | 66.5                  | 0.72                 | Ahmed Zaki Saad<br><i>Albert Mansour</i>            | 915                 | 0.84                      |
| United Kingdom           | 1,300.0               | 14.09                | Derick Heathcoat Amory<br><i>M. H. Parsons</i>      | 13,250              | 12.13                     |
| United States            | 2,750.0               | 29.80                | Robert B. Anderson<br><i>C. Douglas Dillon</i>      | 27,750              | 25.39                     |
| Uruguay                  | 15.0                  | 0.16                 | Carlos Sapelli<br><i>Vacant</i>                     | 400                 | 0.37                      |
| Venezuela                | 15.0                  | 0.16                 | J. J. González Gorrondona<br><i>Hernán Avendaño</i> | 400                 | 0.37                      |
| Viet-Nam                 | 12.5                  | 0.14                 | Tran Huu Phuong<br><i>Vu Quoc Thuc</i>              | 375                 | 0.34                      |
| Yugoslavia               | 60.0                  | 0.65                 | Nikola Mincev<br><i>Nikola Miljanic</i>             | 850                 | 0.78                      |
|                          | <u>\$9,228.0</u>      | <u>100.00</u>        |   | <u>109,280</u>      | <u>100.00<sup>3</sup></u> |

<sup>1</sup> Voting power varies on certain matters with use by members of the Fund's resources.

<sup>2</sup> Soleiman Fteita, Temporary Alternate Governor.

<sup>3</sup> This total is not equal to the sum of the items because of rounding.

## Appendix II. CHANGES IN MEMBERSHIP OF BOARD OF GOVERNORS

Changes in the membership of the Board of Governors between May 1, 1958 and April 30, 1959 have been as follows:

Chia-Kan Yen succeeded Peh-Yuan Hsu as Governor for China, May 2, 1958.

Abderrahim Bouabid was appointed Governor for Morocco, May 9, 1958.

Abdallah Chefchaoui was appointed Alternate Governor for Morocco, May 9, 1958.

Ahmed Zaki Saad succeeded Rasem Al-Khalidi as Governor for Saudi Arabia, effective May 19, 1958.

Hedi Nouira was appointed Governor for Tunisia, June 12, 1958.

Eisaku Sato succeeded Hisato Ichimada as Governor for Japan, June 17, 1958.

Guillermo Sevilla Sacasa was reappointed Governor for Nicaragua, effective June 24, 1958.

Léon DeBayle was reappointed Alternate Governor for Nicaragua, effective June 24, 1958.

The term of Carlos Sanguinetti as Alternate Governor for Uruguay expired, July 2, 1958.

César Barros Hurtado succeeded Mauricio L. Yadarola as Alternate Governor for Argentina, July 4, 1958.

Loekman Hakim was appointed Governor for Indonesia, July 30, 1958, with effect from February 1, 1958.

Nikola Mincev succeeded Nenad Popovic as Governor for Yugoslavia, August 1, 1958.

Emilio Donato del Carril succeeded Adalberto Krieger Vasena as Governor for Argentina, August 4, 1958.

Lucas Lopes succeeded José Maria Alkmim as Governor for Brazil, August 12, 1958.

Gustavo Mirón succeeded Gabriel Orellana as Governor for Guatemala, August 21, 1958.

Francisco Fernández succeeded Gustavo Mirón as Alternate Governor for Guatemala, August 21, 1958.

## Appendix II (continued)

B. B. Callaghan succeeded Sir Percy Claude Spender as Alternate Governor for Australia, August 25, 1958.

Bernardo Figueredo Antúnez succeeded Joaquín Martínez Sáenz as Governor for Cuba, August 27, 1958.

René Monserrat succeeded Bernardo Figueredo Antúnez as Alternate Governor for Cuba, August 27, 1958.

Ahmed Zaki Saad was appointed Governor for the United Arab Republic, September 3, 1958.

Albert Mansour was appointed Alternate Governor for the United Arab Republic, September 3, 1958.

J. J. González Gorrondona was reappointed Governor for Venezuela, September 3, 1958.

Hernán Avendaño succeeded Francisco Alfonso Ravard as Alternate Governor for Venezuela, September 3, 1958.

Hernando Agudelo Villa succeeded Antonio Alvarez Restrepo as Governor for Colombia, September 8, 1958.

Jaime Tobón Villegas succeeded Emilio Toro as Alternate Governor for Colombia, September 8, 1958.

Juan A. Morales succeeded Arturo Despradel as Governor for the Dominican Republic, September 12, 1958.

Franz Stoeger-Marenpach was reappointed Alternate Governor for Austria, effective September 14, 1958.

Tadesse Yacob succeeded Makonnen Habte Wolde as Governor for Ethiopia, September 17, 1958.

Jote Guna-Kasem succeeded Puey Ungphakorn as Alternate Governor for Thailand, effective September 17, 1958.

Alberto Ullastres was appointed Governor for Spain, September 19, 1958.

Manuel Varela was appointed Alternate Governor for Spain, September 19, 1958.

José Garrido Torres succeeded Octavio Paranaguá as Alternate Governor for Brazil, September 25, 1958.

Virgilio Díaz Grullón succeeded Oscar Guaroa Ginebra Henríquez as Alternate Governor for the Dominican Republic, September 29, 1958.

Soe Nyun succeeded Kyaw Nyein as Governor for Burma, October 1, 1958.

## Appendix II (*continued*)

Tse Kai Chang succeeded Chia-Kan Yen as Governor for China, October 4, 1958.

Jaime Tobón Villegas succeeded Hernando Agudelo Villa as Governor for Colombia, October 4, 1958.

Wilfrid Baumgartner succeeded Pierre Mendès-France as Governor for France, October 4, 1958.

Antonio André succeeded Maurice Téliémaque as Governor for Haiti, October 4, 1958.

Juan Angel Nunez Aguilar succeeded Fernando Villar as Governor for Honduras, October 4, 1958.

Vilhjalmur Thor succeeded Gylfi Gislason as Governor for Iceland, October 4, 1958.

Husein Jamil succeeded Abdulilah Hafidh as Governor for Iraq, October 4, 1958.

Levi Eshkol succeeded David Horowitz as Governor for Israel, October 4, 1958.

D. Kochav succeeded Martin Rosenbluth as Alternate Governor for Israel, October 4, 1958.

P. Wignaraja was appointed Governor for Libya, effective October 4, 1958.

Fernando Saguier Caballero succeeded Gustavo F. A. Storm as Governor for Paraguay, October 4, 1958.

Taieb Slim was appointed Alternate Governor for Tunisia, October 4, 1958.

Ernesto Peltzer succeeded J. J. González Gorrondona as Governor for Venezuela, October 4, 1958.

Luis Hernandez Alarcon succeeded Hernán Avendaño as Alternate Governor for Venezuela, October 4, 1958.

Chia-Kan Yen succeeded Tse Kai Chang as Governor for China, October 11, 1958.

Hernando Agudelo Villa succeeded Jaime Tobón Villegas as Governor for Colombia, October 11, 1958.

Pierre Mendès-France succeeded Wilfrid Baumgartner as Governor for France, October 11, 1958.

Maurice Téliémaque succeeded Antonio André as Governor for Haiti, October 11, 1958.

## Appendix II (*continued*)

Fernando Villar succeeded Juan Angel Nunez Aguilar as Governor for Honduras, October 11, 1958.

Gylfi Gislason succeeded Vilhjalmur Thor as Governor for Iceland, October 11, 1958.

Abdulilah Hafidh succeeded Husein Jamil as Governor for Iraq, October 11, 1958.

David Horowitz succeeded Levi Eshkol as Governor for Israel, October 11, 1958.

Martin Rosenbluth succeeded D. Kochav as Alternate Governor for Israel, October 11, 1958.

The term of P. Wignaraja as Governor for Libya ended October 11, 1958.

Gustavo F. A. Storm succeeded Fernando Saguier Caballero as Governor for Paraguay, October 11, 1958.

The term of Taieb Slim as Alternate Governor for Tunisia ended October 11, 1958.

J. J. González Gorrondona succeeded Ernesto Peltzer as Governor for Venezuela, October 11, 1958.

Hernán Avendaño succeeded Luis Hernandez Alarcon as Alternate Governor for Venezuela, October 11, 1958.

Kyaw Nyein succeeded Soe Nyun as Governor for Burma, October 21, 1958.

Virgilio Alvarez Sánchez succeeded Juan A. Morales as Governor for the Dominican Republic, October 22, 1958.

Oscar Guaroa Ginebra Henríquez succeeded Virgilio Díaz Grullón as Alternate Governor for the Dominican Republic, October 22, 1958.

Manuel Meléndez-Valle, Alternate Governor for El Salvador, died October 25, 1958.

Soe Nyun succeeded Kyaw Nyein as Governor for Burma, November 20, 1958.

Pierre Guill succeeded Hugues Le Gallais as Alternate Governor for Luxembourg, effective December 1, 1958.

Young Hui Kim succeeded Yong Chan Kim as Alternate Governor for Korea, December 11, 1958.

Abdel Magid Ahmed succeeded Ibrahim Ahmed as Governor for the Sudan, December 15, 1958.

## Appendix II (*concluded*)

S. F. Joge succeeded T. L. Hammarskiöld as Alternate Governor for Sweden, December 19, 1958.

Abdallah Chefchaoui, Alternate Governor for Morocco, died December 23, 1958.

John S. Pasmazoglu was reappointed Alternate Governor for Greece, effective January 1, 1959.

Bernardo Figueredo Antúnez resigned as Governor for Cuba, January 2, 1959.

Harold E. Holt succeeded Sir Arthur Fadden as Governor for Australia, January 8, 1959.

Antonio Ortiz Mena succeeded Antonio Carrillo Flores as Governor for Mexico, January 13, 1959.

Wilfrid Baumgartner succeeded Pierre Mendès-France as Governor for France, effective January 19, 1959.

Jean Sadrin succeeded Wilfrid Baumgartner as Alternate Governor for France, effective January 19, 1959.

W. H. Wilcock succeeded Ismail bin Dato' Abdul Rahman as Alternate Governor for Malaya, effective January 26, 1959.

T. E. Dönges succeeded Jozua Francois Naude as Governor for the Union of South Africa, effective January 26, 1959.

Roberto M. Heurtematte resigned as Governor for Panama, February 16, 1959.

Mohamed Tahri was appointed Alternate Governor for Morocco, February 21, 1959.

Yawand-Wossen Mangasha succeeded Stanislaw Kirkor as Alternate Governor for Ethiopia, effective March 25, 1959.

Pierre Werner was reappointed Governor for Luxembourg, effective April 11, 1959.

J. A. Turull Ricart succeeded Virgilio Alvarez Sánchez as Governor for the Dominican Republic, April 13, 1959.

In Sang Song succeeded Hyun Chul Kim as Governor for Korea, effective April 22, 1959.

Jouko J. Voutilainen succeeded Eero Asp as Alternate Governor for Finland, April 23, 1959.

Appendix III. EXECUTIVE DIRECTORS AND VOTING POWER  
as of April 30, 1959

| Director<br><i>Alternate</i>   | Casting<br>Votes of  | Votes by<br>Country | Total<br>Votes <sup>1</sup> | Per Cent<br>of Total |
|--|----------------------|---------------------|-----------------------------|----------------------|
| <b>APPOINTED</b>   |                      |                     |                             |                      |
| Frank A. Southard, Jr.<br><i>John S. Hooker</i>  | United States        | 27,750              | 27,750                      | 25.52                |
| The Earl of Cromer<br><i>G. J. MacGillivray</i>  | United Kingdom       | 13,250              | 13,250                      | 12.19                |
| Beue Tann<br><i>Ching-Yao Hsieh</i>  | China                | 5,750               | 5,750                       | 5.29                 |
| Jean de Largentaye<br><i>André Feuché</i>  | France               | 5,500               | 5,500                       | 5.06                 |
| B. N. Adarkar<br><i>I. G. Patel</i>  | India                | 4,250               | 4,250                       | 3.91                 |
| Louis Rasminsky<br><i>Alan B. Hockin</i>   | Canada               | 3,250               | 3,250                       | 2.99                 |
| <b>ELECTED</b>   |                      |                     |                             |                      |
| Ahmed Zaki Saad<br>(United Arab Republic)<br><i>Albert Mansour</i><br>(United Arab Republic) | Afghanistan          | 350                 |                             |                      |
|  | Ethiopia             | 310                 |                             |                      |
|  | Iran                 | 600                 |                             |                      |
|  | Iraq                 | 330                 |                             |                      |
|  | Jordan               | 280                 |                             |                      |
|  | Lebanon              | 295                 |                             |                      |
|  | Pakistan             | 1,250               |                             |                      |
|  | Philippines          | 750                 |                             |                      |
|  | Saudi Arabia         | 350                 |                             |                      |
|  | Sudan                | 350                 |                             |                      |
|  | United Arab Republic | 915                 | 5,780                       | 5.32                 |
| André van Camphenout<br>(Belgium)<br><i>Maurice Toussaint</i><br>(Belgium)                   | Austria              | 750                 |                             |                      |
|  | Belgium              | 2,500               |                             |                      |
|  | Korea                | 375                 |                             |                      |
|  | Luxembourg           | 350                 |                             |                      |
|  | Turkey               | 680                 | 4,655                       | 4.28                 |
| Pieter Liefstinck (Netherlands)<br><i>H.M.H.A. van der Valk</i><br>(Netherlands)             | Israel               | 325                 |                             |                      |
|  | Netherlands          | 3,000               |                             |                      |
|  | Yugoslavia           | 850                 | 4,175                       | 3.84                 |
| Carlo Gragnani (Italy)<br><i>Costa P. Caranicas</i><br>(Greece)                              | Greece               | 650                 |                             |                      |
|  | Italy                | 2,050               |                             |                      |
|  | Spain                | 1,250               | 3,950                       | 3.63                 |
| Octavio Paranaguá (Brazil)<br><i>Vacant</i>  | Brazil               | 1,750               |                             |                      |
|  | Colombia             | 750                 |                             |                      |
|  | Dominican Republic   | 350                 |                             |                      |
|  | Haiti                | 325                 |                             |                      |
|  | Panama               | 255                 |                             |                      |
|  | Peru                 | 500                 | 3,930                       | 3.61                 |

Appendix III (concluded). EXECUTIVE DIRECTORS AND VOTING POWER  
as of April 30, 1959

| Director<br><i>Alternate</i>  | Casting<br>Votes of            | Votes by<br>Country | Total<br>Votes <sup>1</sup> | Per Cent<br>of Total |
|---|--------------------------------|---------------------|-----------------------------|----------------------|
| Felipe Herrera (Chile)<br><i>Jorge Marshall (Chile)</i>   | Argentina                      | 1,750               | 3,925                       | 3.61                 |
|   | Bolivia                        | 350                 |                             |                      |
|   | Chile                          | 750                 |                             |                      |
|   | Ecuador                        | 350                 |                             |                      |
|   | Paraguay                       | 325                 |                             |                      |
|   | Uruguay                        | 400                 |                             |                      |
| Takeshi Watanabe (Japan)<br><i>Tun Thin (Burma)</i>   | Burma                          | 400                 | 3,925                       | 3.61                 |
|   | Ceylon                         | 400                 |                             |                      |
|   | Japan                          | 2,750               |                             |                      |
|   | Thailand                       | 375                 |                             |                      |
| B. B. Callaghan (Australia)<br><i>Brian Emmott Fleming<br/>(Australia)</i>                                  | Australia                      | 2,250               | 3,875                       | 3.56                 |
|   | Union of South<br>Africa       | 1,250               |                             |                      |
|   | Viet-Nam                       | 375                 |                             |                      |
| Rodrigo Gómez (Mexico)<br><i>Jorge Hazera<br/>(Costa Rica)</i>  | Costa Rica                     | 300                 | 3,875                       | 3.56                 |
|   | Cuba                           | 750                 |                             |                      |
|   | El Salvador                    | 325                 |                             |                      |
|   | Guatemala                      | 300                 |                             |                      |
|   | Honduras                       | 325                 |                             |                      |
|   | Mexico                         | 1,150               |                             |                      |
|   | Nicaragua                      | 325                 |                             |                      |
|   | Venezuela                      | 400                 |                             |                      |
| Eero Asp (Finland)<br><i>Thorhallur Asgeirsson<br/>(Iceland)</i>  | Denmark                        | 930                 | 3,820                       | 3.51                 |
|   | Finland                        | 630                 |                             |                      |
|   | Iceland                        | 260                 |                             |                      |
|   | Norway                         | 750                 |                             |                      |
|   | Sweden                         | 1,250               |                             |                      |
|   | Federal Republic<br>of Germany | 3,550               |                             |                      |
| Wilfried Guth (Federal<br>Republic of Germany)<br><i>Wilhelm Hanemann (Federal<br/>Republic of Germany)</i> |                                |                     |                             |                      |
| Soemarno (Indonesia)<br><i>Vacant</i>   | Ghana                          | 400                 | 3,520                       | 3.24                 |
|   | Indonesia                      | 1,350               |                             |                      |
|   | Libya                          | 300                 |                             |                      |
|   | Malaya                         | 500                 |                             |                      |
|   | Morocco                        | 600                 |                             |                      |
|   | Tunisia                        | 370                 |                             |                      |
|   |                                |                     | 108,730 <sup>2</sup>        | 100.00 <sup>3</sup>  |

<sup>1</sup> Voting power varies on certain matters with use by members of the Fund's resources.

<sup>2</sup> This total does not include the votes of Ireland, which did not participate in the Seventh Regular Election of Executive Directors.

<sup>3</sup> This total is not equal to the sum of the items because of rounding.



#### Appendix IV. CHANGES IN MEMBERSHIP OF EXECUTIVE BOARD

Changes in the membership of the Executive Board between May 1, 1958 and April 30, 1959 have been as follows:

A. E. Ritchie (Canada) served as Temporary Alternate Executive Director to Louis Rasminsky (Canada), May 21, 1958.

Janko Smole (Yugoslavia) served as Temporary Alternate Executive Director to Pieter Lieftinck (Netherlands), June 11, June 25 to 27, and July 2, 1958.

Soemarno (Indonesia) served as Temporary Alternate Executive Director to Carlo Gagnani (Italy), June 30 to July 2, 1958.

Jorge A. Montealegre (Nicaragua) served as Temporary Alternate Executive Director to Jorge Sol (El Salvador), July 2 (morning session) and July 28, 1958.

Gengo Suzuki (Japan) served as Temporary Alternate Executive Director to Takeshi Watanabe (Japan), July 2, 1958 (afternoon session).

Otto Donner (Federal Republic of Germany) served as Temporary Alternate Executive Director to Otmar Emminger (Federal Republic of Germany), July 9 to 16 and December 15, 1958, and December 27, 1958 to January 14, 1959.

Ricardo Pillado Salas (Argentina) served as Temporary Alternate Executive Director to Rodolfo Corominas-Segura (Argentina), September 12, 1958.

G. J. MacGillivray (United Kingdom) served as Temporary Alternate Executive Director to G. F. Thorold (United Kingdom), September 17, 1958.

R. E. Heasman (United Kingdom) resigned as Alternate Executive Director to G. F. Thorold (United Kingdom), September 26, 1958.

G. J. MacGillivray (United Kingdom) was appointed Alternate Executive Director to G. F. Thorold (United Kingdom), effective September 27, 1958.

P. J. J. Pinto (India) resigned as Alternate Executive Director to B. N. Adarkar (India), October 20, 1958.

Rodolfo Corominas-Segura (Argentina) completed his term of service as Executive Director for Argentina, Bolivia, Chile, Ecuador, Paraguay, and Uruguay, October 31, 1958.

#### Appendix IV (continued)

Carlos Luzzetti (Argentina) completed his term of service as Alternate Executive Director to Rodolfo Corominas-Segura (Argentina), October 31, 1958.

Torben Friis (Denmark) completed his term of service as Executive Director for Denmark, Finland, Iceland, Norway, and Sweden, October 31, 1958.

Jouko J. Voutilainen (Finland) completed his term of service as Alternate Executive Director to Torben Friis (Denmark), October 31, 1958.

Jorge Sol (El Salvador) completed his term of service as Executive Director for Costa Rica, Cuba, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Venezuela, October 31, 1958.

Eero Asp (Finland) was elected Executive Director by Denmark, Finland, Iceland, Norway, and Sweden, effective November 1, 1958.

Thorhallur Asgeirsson (Iceland) was appointed Alternate Executive Director to Eero Asp (Finland), effective November 1, 1958.

B. B. Callaghan (Australia) was re-elected Executive Director by Australia, the Union of South Africa, and Viet-Nam, effective November 1, 1958.

Brian Emmott Fleming (Australia) was reappointed Alternate Executive Director to B. B. Callaghan (Australia), effective November 1, 1958.

Otmar Emminger (Federal Republic of Germany) was re-elected Executive Director by the Federal Republic of Germany, effective November 1, 1958.

Wilhelm Hanemann (Federal Republic of Germany) was reappointed Alternate Executive Director to Otmar Emminger (Federal Republic of Germany), effective November 1, 1958.

Rodrigo Gómez (Mexico) was elected Executive Director by Costa Rica, Cuba, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Venezuela, effective November 1, 1958.

Jorge Hazera (Costa Rica), formerly Alternate Executive Director to Jorge Sol (El Salvador), was appointed Alternate Executive Director to Rodrigo Gómez (Mexico), effective November 1, 1958.

#### Appendix IV (*continued*)

Carlo Gragnani (Italy) completed his term of service as Executive Director for Greece, Indonesia, and Italy, October 31, 1958, and was elected Executive Director by Greece, Italy, and Spain, effective November 1, 1958.

Costa P. Caranicas (Greece) was reappointed Alternate Executive Director to Carlo Gragnani (Italy), effective November 1, 1958.

Felipe Herrera (Chile) was elected Executive Director by Argentina, Bolivia, Chile, Ecuador, Paraguay, and Uruguay, effective November 1, 1958.

Jorge Marshall (Chile) was appointed Alternate Executive Director to Felipe Herrera (Chile), effective November 1, 1958.

Pieter Liefstinck (Netherlands) was re-elected Executive Director by Israel, the Netherlands, and Yugoslavia, effective November 1, 1958.

H. M. H. A. van der Valk (Netherlands) was reappointed Alternate Executive Director to Pieter Liefstinck (Netherlands), effective November 1, 1958.

Octavio Paranaguá (Brazil) was re-elected Executive Director by Brazil, Colombia, the Dominican Republic, Haiti, Panama, and Peru, effective November 1, 1958.

Louis Rasminsky (Canada) was appointed Executive Director for Canada, effective November 1, 1958.

Ahmed Zaki Saad (United Arab Republic) completed his term of service as Executive Director for Afghanistan, Ethiopia, Iran, Iraq, Jordan, Lebanon, Pakistan, the Philippines, and the United Arab Republic, October 31, 1958, and was elected Executive Director by Afghanistan, Ethiopia, Iran, Iraq, Jordan, Lebanon, Pakistan, the Philippines, Saudi Arabia, the Sudan, and the United Arab Republic, effective November 1, 1958.

Soemarno (Indonesia) was elected Executive Director by Ghana, Indonesia, Libya, Malaya, Morocco, and Tunisia, effective November 1, 1958.

André van Campenhout (Belgium) was re-elected Executive Director by Austria, Belgium, Korea, Luxembourg, and Turkey, effective November 1, 1958.

#### Appendix IV (continued)

Takeshi Watanabe (Japan) was re-elected Executive Director by Burma, Ceylon, Japan, and Thailand, effective November 1, 1958.

I. G. Patel (India) was appointed Alternate Executive Director to B. N. Adarkar (India), effective December 8, 1958.

P. G. Nair (India) served as Temporary Alternate Executive Director to B. N. Adarkar (India), December 3 to 5, December 10 (morning session), December 12 (morning session), and December 19, 1958.

K. N. Nair (India) served as Temporary Alternate Executive Director to B. N. Adarkar (India), December 8, December 10 (afternoon session), December 12 (afternoon session), and December 15 to 18, 1958.

Jorge Burr (Chile) served as Temporary Alternate Executive Director to Felipe Herrera (Chile), December 27, 1958.

Michel P. Dupuy (Canada) served as Temporary Alternate Executive Director to Louis Rasminsky (Canada), January 14 and February 11, 1959.

Otmar Emminger (Federal Republic of Germany) resigned as Executive Director for the Federal Republic of Germany, effective January 15, 1959.

Wilfried Guth (Federal Republic of Germany) was elected Executive Director by the Federal Republic of Germany, effective January 16, 1959.

Wilhelm Hanemann (Federal Republic of Germany), formerly Alternate Executive Director to Otmar Emminger (Federal Republic of Germany), was appointed Alternate Executive Director to Wilfried Guth (Federal Republic of Germany), effective January 16, 1959.

August Frans Ompi (Indonesia) served as Temporary Alternate Executive Director to Soemarno (Indonesia), January 28 to February 11, 1959.

G. F. Thorold (United Kingdom) resigned as Executive Director for the United Kingdom, January 31, 1959.

G. J. MacGillivray (United Kingdom), formerly Alternate Executive Director to G. F. Thorold (United Kingdom), was

#### Appendix IV (concluded)

appointed Alternate Executive Director to The Earl of Cromer (United Kingdom), effective February 1, 1959.

The Earl of Cromer (United Kingdom) was appointed Executive Director for the United Kingdom, effective February 2, 1959.

Manuel S. Valladares (Mexico) served as Temporary Alternate Executive Director to Rodrigo Gómez (Mexico), March 25, 1959.

Marcel Théron (France) resigned as Alternate Executive Director to Jean de Largentaye (France), March 27, 1959.

Helvecio Xavier Lopes (Brazil) resigned as Alternate Executive Director to Octavio Paranaguá (Brazil), April 10, 1959.

André Feuché (France) was appointed Alternate Executive Director to Jean de Largentaye (France), effective April 15, 1959.

Lempira Bonilla (Honduras) served as Temporary Alternate Executive Director to Rodrigo Gómez (Mexico), April 29, 1959.

Alan B. Hockin (Canada) resigned as Alternate Executive Director to Louis Rasminsky (Canada), April 30, 1959.

Appendix V. ENLARGEMENT OF FUND RESOURCES  
THROUGH INCREASES IN QUOTAS

WHEREAS the Executive Directors have considered the question referred to them by the Resolution of the Board of Governors of the International Monetary Fund at their Thirteenth Annual Meeting:

That the Executive Directors promptly consider the question of enlarging the resources of the Fund through increases in quotas and that, if, having regard to views expressed by Governors and considering all other aspects of the matter, they find that action to carry out such increases would be desirable, they submit an appropriate proposal to the Board of Governors for action either at a meeting of the Board or by vote without a meeting, as the Executive Directors may determine;

And having found that action to carry out increases in quotas would be desirable, have set out their conclusions in a report, entitled *Enlargement of Fund Resources Through Increases in Quotas*, in which it is proposed that the present quota of each member of the Fund shall be increased by 50 per cent, with additional increases for certain members;

And having noted that there are various legal requirements in member countries for giving effect to this proposal, have submitted to the Board of Governors the following Resolutions for a vote without meeting pursuant to Section 13 of the By-Laws of the Fund, which Resolutions propose increases of quotas for all members of the Fund, make provision for consents by members, and establish the conditions upon which the increases consented to shall take effect;

NOW THEREFORE the Board of Governors hereby RESOLVES that

*First Resolution*

1. The International Monetary Fund proposes that, subject to the provisions of this Resolution, the quotas of members of the International Monetary Fund as of January 31, 1959 shall be increased by 50 per cent for each member.

Appendix V (continued)

2. None of the increases in quotas proposed in paragraph 1 of this Resolution shall become effective unless:

- (i) The member concerned has notified the Fund in writing that it consents to the increase in its quota; and
- (ii) The Fund determines that members having not less than 75 per cent of the total of quotas on January 31, 1959 have consented to increases in their quotas; and
- (iii) The requirement is satisfied of a minimum aggregate increase in subscriptions, contained in the Resolution of the Board of Governors of the International Bank for Reconstruction and Development entitled *Increase of \$10,000,000,000 in Authorized Capital Stock and Subscriptions Thereto*, recommended by the Executive Directors of the International Bank for Reconstruction and Development; and
- (iv) The member concerned has paid the full increase in its quota.

Subject to paragraph 7(c) of this Resolution, each increase in quota shall become effective upon the date of the latest of these four events.

3. The written notices prescribed in paragraph 2(i) shall be signed by a competent official whose authority and signature are duly authenticated.

4. Notices in accordance with paragraph 2(i) shall be received in the Fund not later than September 15, 1959, provided that the Executive Directors may extend this period as they may determine.

5. At any time after the percentage of participation prescribed in paragraph 2(ii) of this Resolution has been reached, the Board of Governors may, by a four-fifths majority of the total voting power, eliminate the requirements in paragraph 2(iii) of this Resolution, and may make such modifications as to the date of the effectiveness of increases in quotas as may then be determined.

## Appendix V (continued)

6. Subject to paragraph 7(b) of this Resolution, each member shall pay to the Fund within thirty days after the latest of the three events in paragraph 2(i), (ii), and (iii) of this Resolution, 25 per cent of the increase in gold and the balance in its own currency.

7(a). In giving notice in accordance with paragraph 2(i) of this Resolution, a member may represent that, for reasons which it shall submit to the Fund, its reserves should not be reduced by an immediate full gold payment in accordance with paragraph 6 of this Resolution, and that it therefore consents to the increase in its quota proposed in paragraph 1 of this Resolution, as an increase by installments.

(b). Notwithstanding paragraph 2(iv) of this Resolution, a member increasing its quota by installments shall pay not less than one fifth of the gold and currency prescribed in paragraph 6 within thirty days after the latest of the three events in paragraph 2(i), (ii), and (iii), and shall pay further installments of gold and currency of not less than one fifth of the increase in each twelve months after the first payment until the full amount prescribed in paragraph 6 has been paid.

(c). Subject to paragraph 2 of this Resolution, on the completion of the payment of each installment of the increase, the member's quota shall be increased by an amount equal to the installment.

8. Since it is in the interests of the Fund and its members that the contemplated increase in its resources be expedited, members are invited to comply as soon as possible with the procedures for notice and payments to the Fund under this Resolution. Any payment made by a member before the effective date of increase in its quota will be kept in separate accounts of the Fund. If it should be established that such increase cannot become effective under this Resolution, the payment will be returned to the member.

### *Second Resolution*

1. The International Monetary Fund proposes that, subject to the provisions of this Second Resolution, if any member to which



## Appendix V (concluded)

the small quota policy of the Second Quinquennial Review applies so elects, its quota shall be increased beyond the amount specified in the First Resolution to such an amount, not exceeding a 50 per cent increase in the maximum quota available under the said policy, as such member shall communicate to the Fund at the time that it consents to the increase in its quota.

2. Paragraphs 2(i) and (iv), 3, 4, 6, 7, and 8 of the First Resolution shall apply to this Second Resolution.

### *Third Resolution*

1. The International Monetary Fund proposes that, subject to the provisions of this Third Resolution, if increases in quotas take effect under the First Resolution, the quotas of Canada, the Federal Republic of Germany, and Japan shall be increased to the amounts shown below:

|                             |                 |
|-----------------------------|-----------------|
| Canada                      | \$550 million   |
| Federal Republic of Germany | \$787.5 million |
| Japan                       | \$500 million   |

2. Paragraphs 2(i) and (iv), 3, 4, 6, and 8 of the First Resolution shall apply to this Third Resolution.

*December 19, 1958*

*The three resolutions were adopted by the Board of Governors, effective February 2, 1959.*

## Appendix VI. SPECIAL INCREASES IN QUOTAS

WHEREAS on February 2, 1959 the Board of Governors adopted three Resolutions, the Third of which proposed certain special increases in quotas; and

WHEREAS the Executive Directors, having declared in the Section headed "Further Adjustment of Quotas" in their report entitled *Enlargement of Fund Resources Through Increases in Quotas* that they would as expeditiously as possible reach decisions on requests by other members for special increases in quotas, have now submitted to the Board of Governors a further report entitled *Enlargement of Fund Resources Through Increases in Quotas—Special Increases* and the following Fourth Resolution for a vote without meeting pursuant to Section 13 of the By-Laws of the Fund, which Resolution is similar to the Third Resolution and is subject to the decisions with respect to that Resolution contained in the report entitled *Enlargement of Fund Resources Through Increases in Quotas*;

NOW THEREFORE the Board of Governors hereby RESOLVES that  
*Fourth Resolution*

1. The International Monetary Fund proposes that, subject to the provisions of this Fourth Resolution, if increases in quotas take effect under the First Resolution adopted by the Board of Governors on February 2, 1959, the quotas of the following members shall be increased to the amounts shown against their names:

|           | Million<br>U.S. Dollars |              | Million<br>U.S. Dollars |
|-----------|-------------------------|--------------|-------------------------|
| Argentina | 280                     | Israel       | 25                      |
| Brazil    | 280                     | Mexico       | 180                     |
| Ceylon    | 45                      | Norway       | 100                     |
| Cuba      | 100                     | Saudi Arabia | 55                      |
| Denmark   | 130                     | Thailand     | 45                      |
| Ghana     | 35                      | Turkey       | 86                      |
| Iran      | 70                      | Venezuela    | 150                     |

2. Paragraphs 2(i) and (iv), 3, 4, 6, and 8 of the said First Resolution shall apply to this Fourth Resolution.

February 24, 1959

*The resolution was adopted by the Board of Governors, effective April 6, 1959.*

Appendix VII. SUMMARY OF FUND TRANSACTIONS  
from the beginning of operations to April 30, 1959<sup>1</sup>

(In millions of U.S. dollars)

| Member<br>(1)         | Currency<br>Purchased<br>by Member<br>Against<br>Own<br>Currency<br>(2) | Member's<br>Currency<br>Sold by<br>Fund to<br>Other<br>Members<br>for Their<br>Currency<br>or Gold<br>(3) | Member's<br>Currency<br>Repurchased<br>by Member<br>with<br>Convertible<br>Currency<br>or Gold<br>(4) | With-<br>drawing<br>Member's<br>Offset<br>(5) | Member's<br>Currency<br>Used for<br>Repurchases<br>by Other<br>Members<br>(6) | Effect of<br>Operations<br>on Fund's<br>Currency<br>Holdings<br>(columns<br>2 & 6<br>minus<br>3, 4, & 5)<br>(7) | Fund's<br>Currency<br>Holdings on<br>Apr. 30, 1959<br>Expressed as<br>Percentage<br>of Quota<br>(8) |
|-----------------------|---|---|---|---|---|---|---|
| Afghanistan           |   |   |   |   |   |   | —   |
| Argentina             | 93.5  |   |   |   |   | 93.5  | 137   |
| Australia             | 50.0  |   | 50.0  |   |   | 0.0   | 96  |
| Austria               |   |   | 7.5   |   |   | -7.5  | 75  |
| Belgium               | 83.0  | 11.4  | 71.6  |   |   | 0.0   | 75  |
| Bolivia               | 8.5   |   |   |   |   | 8.5   | 160   |
| Brazil                | 260.7   |   | 148.2   |   |   | 112.5   | 150   |
| Burma                 | 15.0  |   | 6.2   |   |   | 8.8   | 155   |
| Canada                |   | 15.0  |   |   |   | -15.0   | 70  |
| Ceylon                |   |   | 3.0   |   |   | -3.0  | 75  |
| Chile                 | 63.0  |   | 25.0  |   |   | 38.0  | 158   |
| China                 |   |   |   |   |   | —   | —   |
| Colombia              | 40.0  |   | 10.0  |   |   | 30.0  | 135   |
| Costa Rica            | 1.2   |   | 2.1   |   |   | -0.9  | 75  |
| Cuba                  | 72.5  |   | 47.5  |   |   | 25.0  | 125   |
| Czechoslovakia        | 6.0   |   |   | 4.3 <sup>2</sup>                              |   | 1.7 <sup>2</sup>  | <sup>2</sup>  |
| Denmark               | 44.2  |   | 55.3  |   |   | -11.1   | 75  |
| Dominican Republic    |   |   |   |   |   | —   | 75  |
| Ecuador               | 5.0   |   | 5.0   |   |   | 0.0   | 75  |
| El Salvador           | 2.5   |   | 2.5   |   |   | 0.0   | 75  |
| Ethiopia              | 0.6   |   | 2.0   |   |   | -1.4  | 75  |
| Finland               | 9.5   |   | 18.2  |   |   | -8.7  | 75  |
| France                | 518.8   |   | 147.9   |   |   | 370.9   | 150   |
| Germany, Fed. Rep. of |   | 68.9  | 45.1  |   |   | -114.0  | 55  |
| Ghana                 |   |   |   |   |   | —   | 96  |
| Greece                |   |   |   |   |   | —   | —   |
| Guatemala             |   |   |   |   |   | —   | 75  |
| Haiti                 | 3.8   |   |   |   |   | 3.8   | 126   |
| Honduras              | 7.5   |   | 6.2   |   |   | 1.3   | 92  |
| Iceland               |   |   |   |   |   | —   | 75  |
| India                 | 300.0   |   | 99.9  |   |   | 200.0 <sup>3</sup>  | 145   |
| Indonesia             | 70.0  |   | 27.0  |   |   | 43.0  | 125   |
| Iran                  | 46.0  |   | 29.1  |   |   | 16.9  | 123   |
| Iraq                  |   |   | 2.0   |   |   | -2.0  | 75  |
| Ireland               |   |   |   |   |   | —   | 85  |
| Israel                | 3.8   |   | 3.8   |   |   | 0.0   | 75  |
| Italy                 |   |   |   |   |   | —   | —   |
| Japan                 | 249.0   |   | 249.0   |   |   | 0.0   | 75  |
| Jordan                |   |   |   |   |   | —   | 97  |
| Korea                 |   |   |   |   |   | —   | —   |
| Lebanon               |   |   | 0.9   |   |   | -0.9  | 75  |
| Libya                 |   |   |   |   |   | —   | —   |
| Luxembourg            |   |   |   |   |   | —   | 95  |
| Malaya                |   |   |   |   |   | —   | —   |
| Mexico                | 67.5  |   | 44.9  |   |   | 22.5 <sup>3</sup>   | 100   |
| Morocco               |   |   |   |   |   | —   | —   |
| Netherlands           | 144.1   | 5.0   | 139.1   |   |   | 0.0   | 75  |
| Nicaragua             | 8.0   |   | 8.0   |   |   | 0.0   | 75  |
| Norway                | 9.6   |   | 9.6   |   |   | 0.0   | 75  |
| Pakistan              |   |   |   |   |   | —   | 96  |
| Panama                |   |   |   |   |   | —   | 75  |
| Paraguay              | 7.1   |   | 0.9   |   |   | 6.2   | 158   |
| Peru                  | 14.5  |   | 3.1   |   |   | 11.4  | 133   |
| Philippines           | 23.8  |   | 2.5   |   |   | 21.3  | 115   |
| Saudi Arabia          |   |   |   |   |   | —   | —   |
| Spain                 |   |   |   |   |   | —   | —   |
| Sudan                 |   |   |   |   |   | —   | —   |
| Sweden                | 5.0   |   | 8.0   |   |   | -8.0  | 75  |
| Thailand              |   |   |   |   |   | —   | —   |
| Tunisia               |   |   |   |   |   | —   | —   |
| Turkey                | 73.5  |   | 35.0  |   |   | 38.5  | 164   |
| Union of South Africa | 46.2  |   | 10.0  |   |   | 36.2  | 111   |
| United Arab Republic  |   |   |   |   |   | —   | —   |
| Egypt                 | 33.0  |   | 8.5   |   |   | 24.5  | 125   |
| Syria                 |   |   | 1.4   |   |   | -1.4  | 75  |
| United Kingdom        | 861.5   | 207.9   | 312.0   |   |   | 341.6   | 109   |
| United States         |   | 2,977.7   |   |   | 1,310.6   | -1,667.1  | 35  |
| Uruguay               |   |   |   |   |   | —   | —   |
| Venezuela             |   |   |   |   |   | —   | 75  |
| Viet-Nam              |   |   |   |   |   | —   | —   |
| Yugoslavia            | 31.9  |   | 9.0   |   |   | 22.9  | 125   |
| Total                 | 3,279.7   | 3,285.9 <sup>4</sup>  | 1,657.0 <sup>5</sup>  | 4.3   | 1,310.6   | -357.0  |   |

<sup>1</sup> Totals may not equal sums of items because of rounding.

<sup>2</sup> The settlement with Czechoslovakia involved an offset of \$2.04 million in respect of Czechoslovakia's drawing of \$6 million. The installments paid by Czechoslovakia under the settlement increased the offset to \$4.3 million.

<sup>3</sup> After adjustment for effect of administrative items.

<sup>4</sup> \$3,279.7 million sold for currency and \$6.2 million for gold.

<sup>5</sup> \$1,310.6 million repurchased with convertible currency and \$346.4 million with gold.

**Appendix VIII. DECISION ON CHARGES FOR TRANSACTIONS  
AND STAND-BY ARRANGEMENTS**

I. The following is substituted for the last sentence of Rule I-4(g):

Thereafter, the charges shall rise in accordance with (e) and (f) above, provided that the rate shall not increase beyond 5 per cent per annum when agreement is reached under this Rule for repurchase within three to five years after a drawing in accordance with Executive Board Decision No. 102-(52/11).<sup>1</sup> In the case of agreements on means to reduce the Fund's holdings beyond five years, the Fund may adopt higher maximum rates. In the absence of agreement on means to reduce the Fund's holdings, the Fund may impose such charges as it deems appropriate after the rate of 5 per cent per annum is reached.

II. A stand-by arrangement shall provide for a fixed amount that can be purchased under it augmented by amounts equivalent to repurchases in respect of drawings made under the stand-by arrangement or made at the time when the stand-by arrangement is entered into, unless when any such repurchase is made the member informs the Fund that it does not wish the stand-by arrangement to be augmented by the amount of that repurchase. In exceptional circumstances, however, a stand-by arrangement may provide for purchases that increase the Fund's holdings of the currency of the member having the stand-by arrangement up to a specified level, provided that the amounts the member may purchase shall in no case be increased by other members' purchases of its currency.

III. 1. Paragraph II.5(a) and (c) of Executive Board Decision No. 270-(53/95)<sup>2</sup> shall be amended to read as follows:

(a) When a stand-by arrangement is entered into or renewed, a charge of  $\frac{1}{4}$  of 1 per cent per annum will be payable to the Fund in advance for the period of the stand-by arrangement or renewal. For any additional drawing rights that arise

---

<sup>1</sup> *Annual Report*, 1952, pages 87-90.

<sup>2</sup> *Annual Report*, 1954, pages 131-35.

## Appendix VIII (continued)

in the course of a stand-by arrangement, a further charge will be payable to the Fund in advance at the rate of  $\frac{1}{4}$  of 1 per cent per annum calculated on the basis of the amount of the additional drawing rights and the unexpired period of the stand-by arrangement.

(c) There will be credited against the service charge for a transaction under a stand-by arrangement the charges actually paid in respect of that amount under the stand-by arrangement and any stand-by arrangement which preceded it without interval at the rate of  $\frac{1}{4}$  of 1 per cent per annum and up to a maximum of  $\frac{1}{4}$  of 1 per cent on that amount, due allowance being made for any refunds under paragraph II.6 of this decision. For the purpose of calculating such credits and for the purpose of calculating refunds under (e) below, it shall be assumed that drawings are made in respect of drawing rights in the order in which such drawing rights arose.

2. The first sentence of Paragraph II.5(a) of Executive Board Decision No. 270-(53/95)<sup>3</sup> as amended above shall be deemed to have applied to all stand-by arrangements entered into by the Fund since the adoption of Executive Board Decision No. 270-(53/95).<sup>3</sup> Accordingly, the following amounts shall be refunded:

|                       |             |
|-----------------------|-------------|
| Bolivia               | \$ 4,998.59 |
| Brazil                | 46,875.00   |
| France                | 164,062.50  |
| Haiti                 | 2,030.63    |
| India                 | 90,625.00   |
| Paraguay              | 4,375.00    |
| Union of South Africa | 13,981.26   |

IV. Paragraph II.5(e) of Executive Board Decision No. 270-(53/95)<sup>3</sup> is amended to read:

If a member notifies the Fund that it wishes to cancel a stand-by arrangement, the Fund will repay to the member a portion of the charge. The portion repaid will represent the

---

<sup>3</sup> *Annual Report*, 1954, pages 131-35.

### Appendix VIII (*concluded*)

charge for the period remaining unexpired at the date of cancellation for the amount that could still be drawn under the stand-by arrangement at the date of cancellation for which the member has paid a charge.

V. The following shall be added to Paragraph II.6 of Executive Board Decision No. 270-(53/95):<sup>4</sup>

To the extent that a charge has been levied on a part of the stand-by arrangement which falls into the gold tranche in the course of the stand-by arrangement, the Fund will refund the charge on that part for the unexpired period of the stand-by arrangement.

VI. Sections II, III.1, IV, and V above shall apply to stand-by arrangements entered into or renewed after the date of the adoption of this decision.

*April 27, 1959*

---

<sup>4</sup> *Annual Report*, 1954, pages 131-35.

Appendix IX (i). ADMINISTRATIVE BUDGET

Letter of Transmittal

July 9, 1959

My dear Mr. Chairman:

The administrative budget of the Fund approved by the Executive Board for the Fiscal Year ending April 30, 1960 is presented herewith, in accordance with Section 20 of the By-Laws. The presentation also shows actual expenditures for the past two fiscal years.

I should like to reiterate that it is of course impossible to predict whether the amounts budgeted will, in fact, meet the requirements of the Fund's program. The amounts shown are estimates of requirements on the basis of the expected level of activities. Should contingencies arise or present plans change materially, the management would recommend appropriate amendments to the Executive Board.

Yours sincerely,

/s/

PER JACOBSSON

*Chairman of the Executive Board*

Chairman of the Board of Governors  
International Monetary Fund

## Appendix IX (ii). ADMINISTRATIVE BUDGET

As Approved by the Executive Board for the Fiscal Year Ending April 30, 1960,

Compared with Actual Expenditures for the Fiscal Years 1957-58 and 1958-59

195

| Category of Expenditure               | Budget<br>F. Y. 1959-60 | F. Y. 1958-59            |                        | Actual<br>Expenditures<br>F. Y. 1957-58 |
|---------------------------------------|-------------------------|--------------------------|------------------------|---|
|                                       |                         | Budget                   | Actual<br>Expenditures |   |
| I. BOARD OF GOVERNORS.....            | \$ 217,000              | \$ 463,000               | \$ 443,118.21          | \$ 196,011.28                           |
| II. OFFICE OF EXECUTIVE DIRECTORS     |                         |                          |                        |   |
| Salaries.....                         | \$ 730,000              | \$ 686,500               | \$ 679,032.42          | \$ 628,258.18                           |
| Other compensations and benefits..... | 125,000                 | 113,000                  | 108,306.26             | 91,815.26                               |
| Travel.....                           | 150,000                 | 158,000                  | 137,353.12             | 120,553.45                              |
| Total.....                            | \$1,005,000             | \$ 957,500               | \$ 924,691.80          | \$ 840,626.89                           |
| III. STAFF                            |                         |                          |                        |   |
| Salaries.....                         | \$3,150,000             | \$3,052,000              | \$3,006,236.60         | \$2,718,676.94                          |
| Other compensations and benefits..... | 989,000                 | 954,500                  | 951,947.60             | 694,607.93                              |
| Travel.....                           | 575,000                 | 530,000                  | 516,957.07             | 445,797.75                              |
| Total.....                            | \$4,714,000             | \$4,536,500              | \$4,475,141.27         | \$3,859,082.62                          |
| IV. OTHER ADMINISTRATIVE EXPENSES     |                         |                          |                        |   |
| Communications.....                   | \$ 165,000              | \$ 178,000               | \$ 170,139.81          | \$ 138,340.18                           |
| Office occupancy expenses.....        | 232,000                 | 194,000                  | 180,951.42             | 399,939.67                              |
| Books and printing.....               | 134,000                 | 138,000                  | 129,718.42             | 117,755.41                              |
| Supplies and equipment.....           | 126,000                 | 150,000                  | 141,834.44             | 100,236.27                              |
| Miscellaneous.....                    | 107,000                 | 113,000                  | 94,052.48              | 59,433.79                               |
| Total.....                            | \$ 764,000              | \$ 773,000               | \$ 716,696.57          | \$ 815,705.32                           |
| TOTAL.....                            | \$6,700,000             | \$6,730,000 <sup>1</sup> | \$6,559,647.85         | \$5,711,426.11                          |

<sup>1</sup>Includes \$520,000 supplementary appropriations approved by the Executive Board on July 23, 1958 and April 17, 1959.



### Appendix IX (iii). COMPARATIVE STATEMENT OF INCOME

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

|   | Year Ended<br>Apr. 30, 1957 | Year Ended<br>Apr. 30, 1958  | Year Ended<br>Apr. 30, 1959 |
|---|-----------------------------|------------------------------|-----------------------------|
| <b>INCOME</b>   |                             |                              |                             |
| Service charges   |                             |                              |                             |
| Received in gold.....   | \$ 2,762,888.24             | \$ 3,328,658.10              | \$ 1,317,585.21             |
| Received in a member's<br>currency.....   | 2,807,350.00                | —0—                          | —0—                         |
| <b>Total.....</b>   | <b>\$ 5,570,238.24</b>      | <b>\$ 3,328,658.10</b>       | <b>\$ 1,317,585.21</b>      |
| Charges on Fund's hold-<br>ings of members' cur-<br>rencies and securities in<br>excess of quotas |                             |                              |                             |
| Received in gold.....   | \$ 1,863,639.37             | \$10,139,681.95              | \$19,254,897.90             |
| Received in members'<br>currencies.....   | 764,256.28                  | 5,501,019.23                 | 4,546,171.04                |
| <b>Total.....</b>   | <b>\$ 2,627,895.65</b>      | <b>\$15,640,701.18</b>       | <b>\$23,801,068.94</b>      |
| Income from investments.  | \$ 4,904,173.67             | \$ 3,334,657.78 <sup>1</sup> | —0— <sup>2</sup>            |
| Other operational income.   | \$ 186,730.45               | \$ 1,280,795.52              | \$ 2,054,058.77             |
| Miscellaneous income....  | 335.47                      | 496.96                       | 499.31                      |
| <b>TOTAL INCOME...</b>  | <b>\$13,289,373.48</b>      | <b>\$23,585,309.54</b>       | <b>\$27,173,212.23</b>      |
| <b>TOTAL ADMINISTRATIVE</b>   |                             |                              |                             |
| EXPENDITURE.....  | <b>\$ 5,363,695.70</b>      | <b>\$ 5,711,426.11</b>       | <b>\$ 6,559,647.85</b>      |

<sup>1</sup> Excludes income from November 1, 1957 amounting to \$2,830,560.24, transferred to Special Reserve.

<sup>2</sup> Excludes income amounting to \$4,108,526.63, transferred to Special Reserve.

**Appendix X. BALANCE SHEET, STATEMENT OF INCOME AND  
EXPENDITURE, STATEMENT OF RESERVES, AND  
SUPPORTING SCHEDULES**

**Letter of Transmittal**

**July 9, 1959**

**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 financial statements of the International Monetary Fund, and the Staff Retirement Fund, for the year ended April 30, 1959, together with two memoranda from the Audit Committee, which include the audit certificates.

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, Canada, the Federal Republic of Germany, and Guatemala nominated auditors to serve on this Committee. They respectively nominated Mr. Ian Stevenson, Assistant Auditor General of Canada, Ottawa; Mr. Horst Peckolt, Member of the Board of Directors of the Deutsche Revisions- und Treuhand Aktiengesellschaft; and Mr. Gabriel Orellana, Dean of the Faculty of Economic Sciences of the University of San Carlos de Guatemala. The auditors thus nominated were confirmed by the Executive Directors.

It will be noted that, in the period under review, ordinary income amounted to \$27,173,212.23 and expenditure amounted to \$6,678,904.15, and that the resultant net income of \$20,494,308.08 has been transferred provisionally to General Reserve pending Board of Governors' action. In addition, income of \$4,108,526.63 from the Fund's gold investment program has been transferred to Special Reserve.

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

**Yours sincerely,**

*/s/*

**PER JACOBSSON**

*Chairman of the Executive Board*

**Chairman of the Board of Governors  
International Monetary Fund**

## MEMORANDUM BY THE AUDIT COMMITTEE

June 19, 1959

To the Managing Director  
and the Executive Directors  
International Monetary Fund

The report of the Audit Committee, dated June 19, 1959, submitted through you to the Board of Governors, on the audit of the financial records and transactions of the Fund for the fiscal year ended April 30, 1959, includes the following paragraphs relating to the scope of the audit conducted, the financial statements examined and the audit certificate given:

### SCOPE OF THE AUDIT

The Audit Committee has taken note of the directives contained in Section 20 (b) of the By-Laws: that the audit be conducted according to generally accepted auditing standards; that it be comprehensive with respect to the examination of the financial records; that it extend, so far as practicable, to the ascertainment that financial transactions consummated during the period under review were supported by the necessary authority; and that it determine that there was adequate and faithful accounting for the assets of the Fund. In considering the authority for financial transactions, reference was made to the Articles of Agreement, By-Laws and Rules and Regulations, and to the Minutes of Executive Board meetings. The system of accounting and internal financial control was reviewed and the work performed by the Internal Auditor, as reported upon by him to the Committee, was taken into account in the audit.

### FINANCIAL STATEMENTS

Appended to this report are the following audited financial statements:

|  |           |
|--|-----------|
| Balance Sheet as at April 30, 1959                                       | Exhibit A |
| Statement of Income and Expenditure<br>for the year ended April 30, 1959 | Exhibit B |
| Statement of Reserves for the year<br>ended April 30, 1959               | Exhibit C |

The following supporting Balance Sheet schedules as at April 30, 1959 are also appended:

|                                    |            |
|------------------------------------|------------|
| Gold Account                       | Schedule 1 |
| Currencies and Securities          | Schedule 2 |
| Status of Subscriptions to Capital | Schedule 3 |
| Other Assets                       | Schedule 4 |
| Other Liabilities                  | Schedule 5 |

#### AUDIT CERTIFICATE

We have examined the Balance Sheet of the International Monetary Fund as at April 30, 1959 and the related Statements of Income and Expenditure and of Reserves for the fiscal year then ended. As a result of our examination we report that, in our opinion, the Balance Sheet and the 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, 1959, and the results of its operations for the fiscal year then ended, and that they were prepared in conformity with generally accepted accounting principles, applied to the operations of the Fund on a basis consistent with that of the preceding fiscal year.

#### AUDIT COMMITTEE:

/s/ Ian Stevenson, Chairman (Canada)

/s/ Horst Peckolt (Federal Republic of Germany)

/s/ Gabriel Orellana (Guatemala)

BALANCE

as at

Values expressed in U.S.dollars

## ASSETS

|  |                    |                    |                       |
|--|--------------------|--------------------|-----------------------|
| GOLD ACCOUNT (Schedule 1)  |                    |                    |                       |
| Gold with depositories (See Note 2) . . . . .  | \$1,352,188,163.24 |                    |                       |
| <i>(38,633,947.521 fine ounces, at US\$35.00 per ounce)</i>  |                    |                    |                       |
| Investments (See Note 3)   |                    |                    |                       |
| \$201,440,000.00 U.S. Treasury   |                    |                    |                       |
| bills, at cost . . . . .   | \$199,990,008.50   |                    |                       |
| Funds awaiting investment . . . . .  | 1,540.32           | 199,991,548.82     | \$1,552,179,172.06    |
| <hr/>  |                    |                    |                       |
| CURRENCIES AND SECURITIES (Schedule 2)   |                    |                    |                       |
| With depositories  |                    |                    |                       |
| Currencies . . . . .   | \$1,446,584,031.57 |                    |                       |
| Securities . . . . .   | 5,313,568,178.78   | \$6,760,152,210.35 |                       |
| <i>(nonnegotiable, noninterest bearing demand obligations, payable at face value by members in their currencies)</i> |                    |                    |                       |
| Deduct: Currency adjustments payable . . . . .   |                    | 1,719,078.64       | 6,758,433,131.71      |
| <i>(in accordance with Article IV, Section 8)</i>  |                    |                    |                       |
| <hr/>  |                    |                    |                       |
| GOLD AND CURRENCY HELD IN SEPARATE ACCOUNTS (Contra)   |                    |                    |                       |
| <i>(paid by member pending increase in quota becoming effective) (See Note 4)</i>                                    |                    |                    |                       |
| Gold . . . . .   | \$1,250,000.00     |                    |                       |
| Currency . . . . .   | 3,750,000.00       |                    | 5,000,000             |
| <hr/>  |                    |                    |                       |
| SUBSCRIPTIONS TO CAPITAL—RECEIVABLE (Schedule 3)   |                    |                    |                       |
| Balances not due . . . . .   |                    |                    | 943,613,24            |
| <i>(members whose par values have not yet been established)</i>  |                    |                    |                       |
| <hr/>  |                    |                    |                       |
| WITHDRAWING MEMBER'S CURRENCY . . . . .  |                    |                    |                       |
|  |                    |                    | 1,651,44              |
| <i>(redeemable by Czechoslovakia in gold or U.S. dollars in installments not later than July 2, 1961)</i>            |                    |                    |                       |
| <hr/>  |                    |                    |                       |
| OTHER ASSETS (See Note 5) (Schedule 4) . . . . .   |                    |                    |                       |
|  |                    |                    | 7,16,56               |
| <i>(receivables, accruals, prepayments, and sundry cash)</i>   |                    |                    |                       |
| TOTAL ASSETS . . . . .   |                    |                    | <u>\$9,268,043,10</u> |

## NOTES:

1. With the exception of Bolivian bolivianos, Canadian dollars, Indonesian rupiah, Para guaraníes, and Peruvian soles, which, for bookkeeping purposes, are computed at pro rates of 11,500.0 bolivianos, 0.962344 dollar, 11.4000 rupiah, 110.000 guaraníes, and soles, per U.S. dollar.
2. Excludes 3,353.751 fine ounces earmarked for members.
3. Made with the proceeds of the sale of 5,714,044.252 fine ounces of gold. Upon term of the investment, the same quantity of gold can be reacquired.
4. Held in accordance with Paragraph 8 of the First Resolution on the Enlargement of Resources Through Increases in Quotas.
5. The assets and liabilities of the Staff Retirement Fund are not included, but are reflect separate Balance Sheet for that fund (Exhibit I).
6. A stand-by charge has, under certain circumstances, to be credited against the service for a drawing under the stand-by arrangement; the maximum amount on April 30, \$2,124,487.48. A portion of the stand-by charge is refundable to a member if the arrange is canceled; the maximum amount on April 30, 1959 is \$372,577.73

## SHEET

as on 30, 1959

on the basis of established parities (See Note 1)

## CAPITAL, RESERVES, AND LIABILITIES

## CAPITAL

Authorized subscriptions of members (Schedule 3)..... \$9,228,000,000.00

## RESERVES (Exhibit C)

Special reserve..... \$ 6,939,086.87  
 General reserve..... 25,584,387.17 32,523,474.04

## SUBSCRIPTION PAYMENT BY MEMBER IN ANTICIPATION OF

AUTHORIZED INCREASE IN QUOTA (Contra)..... 5,000,000.00

PROVISION FOR POTENTIAL REFUNDS OF STAND-BY CHARGES (See Note 6) . . .

2,124,487.48

OTHER LIABILITIES (See Note 5) (Schedule 5)..... 395,141.39  
*(accruals, potential rebate of interest, etc.)*

TOTAL CAPITAL, RESERVES, AND LIABILITIES..... \$9,268,043,102.91

/s/ Y. C. KOO  
 Treasurer

/s/ PER JACOBSSON  
 Managing Director

/s/ C. M. POWELL  
 Comptroller and Assistant Treasurer

Exhibit B

STATEMENT OF INCOME AND EXPENDITURE  
for the year ended April 30, 1959

INCOME

|   |                 |                 |
|---|-----------------|-----------------|
| Operational charges.....                    | \$ 3,371,643.98 |                 |
| Charges on balances in excess of quota..... | 23,801,068.94   |                 |
| Other income.....                           | 499.31          |                 |
|   | <hr/>           |                 |
| TOTAL INCOME (See Note 1).....              |                 | \$27,173,212.23 |

EXPENDITURE

|   |                 |                 |
|---|-----------------|-----------------|
| Board of Governors.....   | \$ 443,118.21   |                 |
| Office of Executive Directors   |                 |                 |
| Salaries.....   | \$679,032.42    |                 |
| Other compensations and benefits.....   | 108,306.26      |                 |
| Travel.....   | 137,353.12      | 924,691.80      |
|   | <hr/>           |                 |
| Staff   |                 |                 |
| Salaries.....   | \$3,006,236.60  |                 |
| Other compensations and benefits.....   | 951,947.60      |                 |
| Travel.....   | 516,957.07      | 4,475,141.27    |
|   | <hr/>           |                 |
| Other administrative expenses   |                 |                 |
| Communications.....   | \$170,139.81    |                 |
| Office occupancy expenses...  | 180,951.42      |                 |
| Books and printing (See Note 2).....  | 129,718.42      |                 |
| Supplies and equipment.....   | 141,834.44      |                 |
| Miscellaneous.....  | 94,052.48       | 716,696.57      |
|   | <hr/>           |                 |
| Total Administrative Expenditure..  | \$ 6,559,647.85 |                 |
| Other expenditure   |                 |                 |
| Building costs.....   | \$117,122.45    |                 |
| Gold handling and conversion costs.....   | 1,630.02        |                 |
| Exchange adjustments.....   | 503.83          | 119,256.30      |
|   | <hr/>           |                 |
| TOTAL EXPENDITURE.....  |                 | 6,678,904.15    |
|   |                 | <hr/>           |
| EXCESS OF INCOME OVER EXPENDITURE.....  |                 | \$20,494,308.08 |
|   |                 | <hr/>           |
| (Transferred provisionally to General Reserve pending Board of Governors' action) (Exhibit C) |                 |                 |

NOTES:

1. Excludes income from investments amounting to \$4,108,526.63, transferred to Special Reserve (Exhibit C).
2. After deduction of \$22,262.05 for sales of Fund's publications.

STATEMENT OF RESERVES  
for the year ended April 30, 1959

|   |                 |                        |
|---|-----------------|------------------------|
| <b>SPECIAL RESERVE (See Note)</b>   |                 |                        |
| Balance, April 30, 1958.....  | \$              | 2,830,560.24           |
| Add   |                 |                        |
| Income from investment in U. S. Treasury bills for year.....  |                 | 4,108,526.63           |
| Balance, April 30, 1959.....  | \$              | 6,939,086.87           |
| <b>GENERAL RESERVE</b>  |                 |                        |
| Balance, April 30, 1958.....  | \$              | 5,991,691.89           |
| Add   |                 |                        |
| Excess of income over expenditure for year (Exhibit B), transferred provisionally pending Board of Governors' action...                         | \$20,494,308.08 |                        |
| Adjustment of income for previous fiscal years, pursuant to settlement agreement with withdrawing member.....                                   | 22,010.79       | 20,516,318.87          |
|   |                 | <u>\$26,508,010.76</u> |
| Deduct  |                 |                        |
| Transfer to Staff Retirement Plan for past service cost relating to previous fiscal years, resulting from April 17, 1959 amendments to the Plan | \$828,000.00    |                        |
| Refund of stand-by charges relating to previous fiscal year.....  | 95,623.59       | 923,623.59             |
| Balance, April 30, 1959.....  |                 | 25,584,387.17          |
| TOTAL RESERVES (carried to Balance Sheet).....  |                 | <u>\$32,523,474.04</u> |

**NOTE:**

Represents income from investment in U.S. Treasury bills from November 1, 1957.



*This page intentionally left blank*

**GOLD ACCOUNT**  
as at April 30, 1959

Gold with depositories..... \$1,352,188,163.24  
(38,633,947.52<sup>1</sup> fine ounces at US\$35.00 per fine ounce)

## Investments in U.S. Treasury bills:

| <i>Maturity Date</i> | <i>Face Value</i>       | <i>Cost</i>             |
|----------------------|-------------------------|-------------------------|
| May 7, 1959.....     | \$ 15,070,000.00.....   | \$ 14,966,017.00        |
| May 14, 1959.....    | 15,100,000.00.....      | 14,993,847.00           |
| May 21, 1959.....    | 15,210,000.00.....      | 15,105,051.00           |
| May 28, 1959.....    | 14,980,000.00.....      | 14,882,030.80           |
| June 4, 1959.....    | 15,220,000.00.....      | 15,111,785.80           |
| June 11, 1959.....   | 15,020,000.00.....      | 14,903,595.00           |
| June 18, 1959.....   | 15,000,000.00.....      | 14,895,150.00           |
| June 25, 1959.....   | 15,030,000.00.....      | 14,924,940.30           |
| July 2, 1959.....    | 20,300,000.00.....      | 20,154,855.00           |
| July 9, 1959.....    | 15,070,000.00.....      | 14,957,577.80           |
| July 16, 1959.....   | 15,110,000.00.....      | 14,992,595.30           |
| July 23, 1959.....   | 15,110,000.00.....      | 14,991,386.50           |
| July 30, 1959.....   | 15,220,000.00.....      | 15,111,177.00           |
|                      | <u>\$201,440,000.00</u> | <u>\$199,990,008.50</u> |

Funds awaiting investment..... 1,540.32 199,991,548.82

**TOTAL GOLD ACCOUNT (carried to Balance Sheet). \$1,552,179,712.06**

<sup>1</sup> Excludes 3,353.751 fine ounces held under earmark by the Fund for the following members:

| <i>Member</i>    | <i>Fine Ounces</i> | <i>Member</i>             | <i>Fine Ounces</i>      |
|------------------|--------------------|---------------------------|-------------------------|
| Argentina.....   | 14.047             | Israel.....               | .054                    |
| Austria.....     | .848               | Japan.....                | 27.382                  |
| Bolivia.....     | .835               | Lebanon.....              | .784                    |
| Brazil.....      | 4.031              | Mexico.....               | 13.071                  |
| Burma.....       | 203.473            | Netherlands.....          | 8.135                   |
| Chile.....       | 328.646            | Nicaragua.....            | 15.487                  |
| Colombia.....    | 89.571             | Norway.....               | 369.864                 |
| Cuba.....        | 99.713             | Paraguay.....             | 155.448                 |
| Ecuador.....     | .936               | Peru.....                 | 147.663                 |
| El Salvador..... | 5.003              | Philippines.....          | 6.546                   |
| Ethiopia.....    | 32.436             | Sudan.....                | 1.422                   |
| Finland.....     | 36.574             | Turkey.....               | 267.896                 |
| France.....      | .001               | Union of South Africa.... | 298.963                 |
| Germany, Federal |                    | United Arab Republic      |                         |
| Republic of..... | 2.345              | Egypt.....                | .979                    |
| Haiti.....       | 225.822            | United Kingdom.....       | 3.745                   |
| Honduras.....    | 63.876             | Yugoslavia.....           | 474.788                 |
| India.....       | 131.777            |                           |                         |
| Indonesia.....   | 321.175            | <b>TOTAL.....</b>         | <b><u>3,353.751</u></b> |
| Iran.....        | .415               |                           |                         |

**CURRENCIES AND SECURITIES**  
as at April 30, 1959

| Depositories                                    | National Currencies | Amounts in Members' Currencies |                   |               |                    | Currency Adjustments Payable <sup>1</sup> | Totals After Currency Adjustments | Exchange Rates <sup>2</sup> | U. S. Dollar Equivalents | Per Cent of Quota |
|---|---------------------|--------------------------------|-------------------|---------------|--------------------|---|-----------------------------------|-----------------------------|--------------------------|-------------------|
|   |                     | With Depositories              |                   |               |                    |   |                                   |                             |                          |                   |
|   |                     | Securities                     | No. 1 Account     | No. 2 Account | Totals             |   |                                   |                             |                          |                   |
| Banco Central de la República Argentina         | Pesos               | 1,997,964,000.00               | 1,710,013,553.64  | 8,969.50      | 3,707,986,523.14   |   | 3,707,986,523.14                  | 18.0000                     | \$ 205,999,251.28        | 137.3             |
| Commonwealth Bank of Australia                  | Pounds              | 76,575,000.00                  | 8,935,252.84      | 1,739.19.2    | 85,511,992.76      |   | 85,511,992.76                     | 224.0000†                   | 191,546,862.92           | 95.8              |
| Austrian National Bank                          | Schillings          | 961,810,000.00                 | 12,995,000.00     | 4,960.52      | 974,809,960.52     |   | 974,809,960.52                    | 26.0000                     | 37,492,690.79            | 75.0              |
| Banque Nationale de Belgique                    | Francs              | 8,323,455.270.                 | 113,838.391.      | 23,480.       | 8,437,317.141.     |   | 8,437,317.141.                    | 50.0000                     | 168,746,342.82           | 75.0              |
| Banco Central de Bolivia                        | Bolivianos          | 85,076,539,310.00              | 98,900,000,000.00 | 10,816,420.00 | 183,987,355,730.00 |   | 183,987,355,730.00                | 11,500.0*                   | 15,998,900.50            | 160.0             |
| Superintendencia da Moeda e do Credito (Brazil) | Cruzeiros           |                                | 4,162,482,826.70  | 29,266.80     | 4,162,512,093.50   |   | 4,162,512,093.50                  | 18.5000                     | 225,000,653.70           | 150.0             |
| The Union Bank of Burma                         | Kyats               | 109,955,512.77                 | 844,376.11        | 3,682.49      | 110,803,571.37     |   | 110,803,571.37                    | 21.0000†                    | 23,268,749.98            | 155.1             |
| Bank of Canada                                  | Dollars             | 200,000,000.00                 | 3,555,293.26      | 1,311.76      | 203,556,605.02     |   | 202,080,184.09                    | 0.962344*                   | 209,987,472.34           | 70.0              |
| Central Bank of Ceylon                          | Rupees              | 52,825,861.05                  | 714,332.90        | 828.93        | 53,541,022.88      | -1,476,420.93                             | 53,541,022.88                     | 21.0000†                    | 11,243,614.80            | 75.0              |
| Banco Central de Chile                          | Pesos               |                                | 8,715,151,446.    | 379,341.      | 8,715,530,787.     |   | 8,715,530,787.                    | 110.0000                    | 79,232,098.06            | 158.5             |
| Banco de la República (Colombia)                | Pesos               |                                | 131,587,441.17    | 6,020.48      | 131,593,461.65     |   | 131,593,461.65                    | 1.94998                     | 67,484,518.63            | 135.0             |
| Banco Central de Costa Rica                     | Colones             |                                | 21,035,457.46     | 6,105.13      | 21,041,562.59      |   | 21,041,562.59                     | 5.61500                     | 3,747,384.25             | 74.9              |
| Banco Nacional de Cuba                          | Pesos               |                                | 62,499,461.77     | 494.13        | 62,499,955.90      |   | 62,499,955.90                     | 1.00000                     | 62,499,955.90            | 125.0             |
| Danmarks Nationalbank                           | Kroner              | 346,655,927.96                 | 5,588,000.27      | 3,129.23      | 352,247,057.46     |   | 352,247,057.46                    | 6.90714                     | 50,997,526.83            | 75.0              |
| Banco Central de la República Dominicana        | Pesos               | 6,997,968.11                   | 500,987.33        | 793.46        | 7,499,748.90       |   | 7,499,748.90                      | 1.00000                     | 7,499,748.90             | 75.0              |
| Banco Central del Ecuador                       | Sucres              |                                | 112,489,475.52    | 10,599.48     | 112,500,075.00     |   | 112,500,075.00                    | 15.0000                     | 7,500,005.00             | 75.0              |
| Banco Central de Reserva de El Salvador         | Colones             |                                | 14,059,885.63     | 1,596.18      | 14,061,481.81      |   | 14,061,481.81                     | 2.50000                     | 5,624,592.73             | 75.0              |
| State Bank of Ethiopia                          | Dollars             | 10,979,375.30                  | 186,299.17        | 778.71        | 11,166,453.18      |   | 11,166,453.18                     | 40.2500†                    | 4,494,497.41             | 74.9              |
| Bank of Finland                                 | Markkas             | 8,990,012,753.                 | 125,270,000.      | 181,914.      | 9,115,464,667.     |   | 9,115,464,667.                    | 320.000                     | 28,485,827.08            | 75.0              |
| Banque de France                                | Francs              | 321,350,000,000.               | 67,394,985,293.   | 3,899,819.    | 388,748,885,112.   |   | 388,748,885,112.                  | 493.706                     | 787,409,683.32           | 150.0             |
| Deutsche Bundesbank                             | Marks               | 754,600,000.00                 | 13,930,455.38     | 8,497.96      | 768,538,953.34     |   | 768,538,953.34                    | 4.20000                     | 182,985,465.08           | 55.5              |
| Bank of Ghana                                   | Pounds              | 5,113,528.00                   | 53,400.00         | 211.19.6      | 5,167,139.19.6     |   | 5,167,139.19.6                    | 280.000†                    | 14,467,991.93            | 96.5              |
| Banco de Guatemala                              | Quetzales           |                                | 3,739,390.19      | 189.21        | 3,739,579.40       |   | 3,739,579.40                      | 1.00000                     | 3,739,579.40             | 74.8              |
| Banque Nationale de la République d'Haiti       | Gourdes             | 27,743,304.50                  | 19,327,500.00     | 1,588.60      | 47,072,393.10      |   | 47,072,393.10                     | 5.00000                     | 9,414,478.62             | 125.5             |
| Banco Central de Honduras                       | Lempiras            | 11,090,759.74                  | 2,650,000.00      | 362.58        | 13,741,122.32      |   | 13,741,122.32                     | 2.00000                     | 6,870,561.16             | 91.6              |
| National Bank of Iceland                        | Krónuur             |                                | 12,163,211.65     | 6,475.61      | 12,169,687.26      |   | 12,169,687.26                     | 16.2857                     | 747,262.16               | 74.7              |
| Reserve Bank of India                           | Rupees              | 1,754,600,000.00               | 997,785,970.62    | 4,838.11      | 2,752,390,808.73   |   | 2,752,390,808.73                  | 21.0000†                    | 578,003,060.83           | 144.6             |
| Bank Indonesia                                  | Rupiah              | 927,900,000.00                 | 639,557,482.48    | 52,747.48     | 1,567,510,229.96   |   | 1,567,510,229.96                  | 11.4000*                    | 137,500,897.37           | 125.0             |

|   |           |                           |                           |                       |                           |                        |                           |                           |               |
|---|-----------|---------------------------|---------------------------|-----------------------|---------------------------|------------------------|---------------------------|---------------------------|---------------|
| Bank Melli Iran   | Rials     | 3,238,036,986.05          | 27,317,500.00             | 46,401.55             | 3,265,400,887.60          | 3,265,400,887.60       | 75.7500                   | 43,107,602.47             | 123.2         |
| Central Bank of Iraq  | Dinars    | 2,100,000,000             | 40,006.701                | 63.128                | 2,140,069.829             | 2,140,069.829          | 280.000†                  | 5,992,195.52              | 74.9          |
| Central Bank of Ireland   | Pounds    | 8,998,651.2.9             | 107,142.17.2              | 245.18.1              | 9,106,039.18.0            | 9,106,039.18.0         | 280.000†                  | 25,496,911.72             | 85.0          |
| Bank of Israel  | Pounds    | 9,988,114.4.10            | 136,207.528               | 657.312               | 10,124,979.250            | 10,124,979.250         | 1.80000                   | 5,624,988.47              | 75.0          |
| The Bank of Japan   | Yen       | 66,596,400,000.           | 902,302,794.              | 1,264,576.            | 67,499,967,370.           | 67,499,967,370.        | 360.000                   | 187,499,909.36            | 75.0          |
| Ottoman Bank (Jordan)   | Dinars    | 1,023,850.896             | 10,714.286                | 99.168                | 1,034,664.350             | 1,034,664.350          | 280.000†                  | 2,897,060.18              | 96.6          |
| Banque de Syrie et du Liban (Lebanon)                                 | Pounds    | 7,000,000.00              | 361,572.00                | 1,895.41              | 7,363,467.41              | 7,363,467.41           | 2.19148                   | 3,360,043.18              | 74.7          |
| Caisse d'Epargne de l'Etat (Luxembourg)                               | Francs    | 470,761,334.              | 5,000,000.                | 21.966.               | 475,783,300.              | 475,783,300.           | 50.0000                   | 9,515,666.00              | 95.2          |
| Banco de México, S.A.   | Pesos     |                           | 1,124,981,006.89          | 3,249.94              | 1,124,984,256.83          | 1,124,984,256.83       | 12.5000                   | 89,998,740.55             | 99.99         |
| De Nederlandsche Bank N. V.   | Guilders  | 773,000,000.00            | 10,739,405.27             | 1,020.35              | 783,740,425.62            | 783,740,425.62         | 3.80000                   | 206,247,480.43            | 75.0          |
| Banco Nacional de Nicaragua   | Córdobas  |                           | 39,372.672.56             | 2,327.44              | 39,375,000.00             | 39,375,000.00          | 7.00000                   | 5,625,000.00              | 75.0          |
| Norges Bank   | Kroner    | 263,848,315.10            | 3,894,941.41              | 4,433.90              | 267,747,690.41            | 267,747,690.41         | 14.0000†                  | 37,484,676.65             | 75.0          |
| State Bank of Pakistan  | Rupees    | 454,661,398.0.0           | 4,771,858.14.10           | 5,436.10.3            | 459,438,693.9.1           | 459,438,693.9.1        | 21.0000†                  | 96,482,125.64             | 96.5          |
| Banco Nacional de Panama  | Balboas   | 369,000.00                | 4,999.75                  | 790.37                | 374,790.12                | 374,790.12             | 1.00000                   | 374,790.12                | 75.0          |
| Banco Central del Paraguay  | Guaranies |                           | 1,305,990,197.60          | 50,424.00             | 1,306,040,621.60          | 1,306,040,621.60       | 110.000*                  | 11,873,096.56             | 158.3         |
| Banco Central de Reserva del Peru                                     | Soles     | 526,786,025.13            | † 375,075,000.00          | 9,795.99              | 901,870,821.12            | -4,987,304.17          | 896,883,516.95            | 26.9750*                  | 33,248,693.86 |
| Central Bank of the Philippines                                       | Pesos     | 22,000,000.00             | 95,491,702.42             | 478.72                | 117,492,181.14            | 117,492,181.14         | 2.00000                   | 58,746,090.57             | 117.5         |
| National Bank of Egypt—Khartoum (Sudan)                               | Pounds    | 5,066,180.082             | 37,635.935                | 165.148               | 5,103,981.165             | 5,103,981.165          | 287.156†                  | 14,656,388.16             | 146.6         |
| Sveriges Riksbank   | Kronor    |                           | 387,874,594.61            | 5,575.37              | 387,880,169.98            | 387,880,169.98         | 5.17321                   | 74,978,624.48             | 75.0          |
| Banque Centrale de la République de Turquie                           | Liras     | 78,250,000.00             | 119,547,264.33            | 3,158.30              | 197,800,422.63            | 197,800,422.63         | 2.80000                   | 70,643,008.09             | 164.3         |
| South African Reserve Bank  | Pounds    | 39,334,145.17.2           | 371,889.11.7              | 1,047.15.9            | 39,707,083.4.6            | 39,707,083.4.6         | 280.000†                  | 111,179,833.03            | 111.2         |
| National Bank of Egypt (United Arab Republic—Egypt)                   | Pounds    | 15,458,670.375            | 10,655,431.374            | 362.590               | 26,114,464.339            | 26,114,464.339         | 287.156†                  | 74,989,251.22             | 125.0         |
| Banque Centrale de Syrie (United Arab Republic—Syria)                 | Pounds    | 10,447,000.00             | 228,734.01                | 6,539.12              | 10,682,273.13             | 10,682,273.13          | 2.19148                   | 4,874,456.14              | 75.0          |
| Bank of England   | Pounds    | 501,975,000.0.0           | 4,653,840.8.5             | 1,496.1.8             | 506,630,336.10.1          | 506,630,336.10.1       | 280.000†                  | 1,418,564,942.21          | 109.1         |
| Federal Reserve Bank of New York                                      | Dollars   | 919,000,000.00            | 30,206,156.64             | 1,335,394.16          | 950,541,550.80            | 950,541,550.80         | 1.00000                   | 950,541,550.80            | 34.6          |
| Riggs National Bank of Washington, D.C. <sup>3</sup>                  | Dollars   |                           |                           | 87,962.94             | 87,962.94                 | 87,962.94              | 1.00000                   | 87,962.94                 |               |
| Banco Central de Venezuela  | Bolivares | 32,659,359.42             | 4,998,000.00              | 798.70                | 37,658,158.12             | 37,658,158.12          | 3.35000                   | 11,241,241.23             | 74.9          |
| Banque Nationale de la République Fédérative Populaire de Yougoslavie | Dinars    |                           | 22,533,568,396.           | 67,405.               | 22,533,635,801.           | 22,533,635,801.        | 300.000                   | 75,112,119.34             | 125.2         |
| <b>TOTALS (in U.S. dollar equivalents)</b>                            |           | <b>\$5,313,568,178.78</b> | <b>\$1,445,096,246.18</b> | <b>\$1,487,785.39</b> | <b>\$6,760,152,210.35</b> | <b>-\$1,719,078.64</b> | <b>\$6,758,433,131.71</b> | <b>\$6,758,433,131.71</b> |               |

<sup>1</sup> In accordance with Article IV, Section 8.

<sup>2</sup> Parity rates, except for those marked \*, which are provisional rates for bookkeeping purposes. Rates marked † represent U.S. cents per currency unit; all other rates represent currency units per U.S. dollar.

<sup>3</sup> Checking accounts are maintained with The Riggs National Bank in Washington, D.C., for the purpose of making local payments for administrative expenditure.

## STATUS OF SUBSCRIPTIONS TO CAPITAL

as at April 30, 1959

(Expressed in U.S. dollars)

| Members                      | Quotas           | Payments on Subscriptions                           |                 |                              | Subscriptions to Capital Receivable         |   |
|------------------------------|------------------|---|-----------------|------------------------------|---|---|
|                              |                  | 1/100 of 1%<br>Paid in U.S.<br>Dollars <sup>1</sup> | Paid in Gold    | Paid in Member's<br>Currency | Balances Due<br>(Par Values<br>Established) | Balances Not Due<br>(Par Values<br>Not Established) |
| Afghanistan                  | \$ 10,000,000.00 |   | \$ 2,500,027.46 |                              |   | \$ 7,499,972.54                                     |
| Argentina                    | 150,000,000.00   |   | 37,500,247.02   | \$ 112,499,752.98            |   |   |
| Australia                    | 200,000,000.00   |   | 8,404,843.20    | 191,595,156.80               |   |   |
| Austria                      | 50,000,000.00    |   | 5,000,003.72    | 44,999,996.28                |   |   |
| Belgium                      | 225,000,000.00   | \$ 22,500.00  | 56,227,500.00   | 168,750,000.00               |   |   |
| Bolivia                      | 10,000,000.00    | 1,000.00  | 2,500,040.06    | 7,498,959.94                 |   |   |
| Brazil                       | 150,000,000.00   | 15,000.00   | 37,485,030.14   | 112,499,969.86               |   |   |
| Burma                        | 15,000,000.00    |   | 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                |   |   |
| Denmark                      | 68,000,000.00    | 6,800.00  | 5,934,983.32    | 62,058,216.68                |   |   |
| Dominican Republic           | 10,000,000.00    | 500.00  | 2,499,544.56    | 7,499,955.44                 |   |   |
| Ecuador <sup>2</sup>         | 10,000,000.00    | 500.00  | 2,499,983.79    | 7,499,516.21                 |   |   |
| El Salvador                  | 7,500,000.00     | 250.00  | 1,874,787.80    | 5,624,962.20                 |   |   |
| Ethiopia                     | 6,000,000.00     | 600.00  | 61,732.22       | 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               |   |   |
| Germany, Federal Republic of | 330,000,000.00   |   | 33,009,651.50   | 296,990,348.50               |   |   |
| Ghana                        | 15,000,000.00    |   | 529,920.65      | 14,470,079.35                |   |   |
| 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                 |   |   |
| Haiti                        | 7,500,000.00     |   | 1,875,339.10    | 5,624,660.90                 |   |   |
| Honduras                     | 7,500,000.00     | 250.00  | 1,874,809.44    | 5,624,940.56                 |   |   |
| 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               |   |   |
| Indonesia                    | 110,000,000.00   |   | 15,500,030.70   | 94,499,969.30 <sup>3</sup>   |   |   |

|                       |                           |                     |                           |                           |                |                         |
|-----------------------|---------------------------|---------------------|---------------------------|---------------------------|----------------|-------------------------|
| Iraq                  | 30,000,000.00             |                     | 4,502,776.81              | 25,497,223.19             |                |                         |
| Ireland               | 7,500,000.00              |                     | 1,875,047.56              | 5,624,952.44              |                |                         |
| Israel                | 180,000,000.00            | 18,000.00           | 44,982,000.18             |                           | 134,999,999.82 |                         |
| Italy                 | 250,000,000.00            |                     | 62,500,000.15             | 187,499,999.85            |                |                         |
| Japan                 | 3,000,000.00              |                     | 97,617.49                 | 2,902,382.51              |                |                         |
| Jordan                | 12,500,000.00             |                     | 3,125,025.02              |                           | 9,374,974.98   |                         |
| Korea                 | 4,500,000.00              | 450.00              | 267,415.12                | 4,232,134.88              |                |                         |
| Lebanon               | 5,000,000.00              |                     | 181,283.34                |                           | 4,818,716.66   |                         |
| Libya                 | 10,000,000.00             | 1,000.00            | 479,995.96                | 9,519,004.04              |                |                         |
| Luxembourg            | 25,000,000.00             |                     | 875,010.50                |                           | 24,124,989.50  |                         |
| Malaya                | 90,000,000.00             | 9,000.00            | 22,491,205.14             | 67,499,794.86             |                |                         |
| Mexico                | 35,000,000.00             |                     | 1,225,000.00              |                           | 33,775,000.00  |                         |
| Morocco               | 275,000,000.00            | 27,500.00           | 68,722,500.00             | 206,250,000.00            |                |                         |
| Netherlands           | 7,500,000.00              | 200.00              | 1,874,975.62              | 5,624,824.38              |                |                         |
| Nicaragua             | 50,000,000.00             | 5,000.00            | 12,495,054.90             | 37,499,945.10             |                |                         |
| Norway                | 100,000,000.00            |                     | 3,500,607.22              | 96,499,392.78             |                |                         |
| Pakistan              | 500,000.00                | 50.00               | 124,950.25                | 374,999.75                |                |                         |
| Panama                | 7,500,000.00              | 200.00              | 1,875,496.47              | 5,624,303.53              |                |                         |
| Paraguay              | 25,000,000.00             | 2,500.00            | 3,149,921.00              | 21,847,579.00             |                |                         |
| Peru                  | 50,000,000.00             | 1,500.00            | 12,498,548.79             | 37,499,951.21             |                |                         |
| Philippines           | 10,000,000.00             |                     | 2,501,248.40              |                           | 7,498,751.60   |                         |
| Saudi Arabia          | 100,000,000.00            |                     | 10,000,001.34             |                           | 89,999,998.66  |                         |
| Spain                 | 10,000,000.00             |                     | 350,374.01                | 9,649,625.99              |                |                         |
| Sudan                 | 100,000,000.00            |                     | 17,000,086.78             | 82,999,913.22             |                |                         |
| Sweden                | 12,500,000.00             |                     | 3,125,008.14              |                           | 9,374,991.86   |                         |
| Thailand              | 12,000,000.00             |                     | 420,001.02                |                           | 11,579,998.98  |                         |
| Tunisia               | 43,000,000.00             | 4,300.00            | 10,745,912.23             | 32,249,787.77             |                |                         |
| Turkey                | 100,000,000.00            | 10,000.00           | 24,994,519.20             | 74,995,480.80             |                |                         |
| Union of South Africa |                           |                     |                           |                           |                |                         |
| United Arab Republic  | 60,000,000.00             | 4,500.00            | 9,484,075.69              | 50,511,424.31             |                |                         |
| Egypt                 | 6,500,000.00              | 650.00              | 169,187.17                | 6,330,162.83              |                |                         |
| Syria                 | 1,300,000,000.00          | 130,000.00          | 236,135,323.70            | 1,063,734,676.30          |                |                         |
| United Kingdom        | 2,750,000,000.00          | 275,000.00          | 687,500,000.11            | 2,062,224,999.89          |                |                         |
| United States         | 15,000,000.00             | 1,500.00            | 3,748,643.15              |                           | 11,249,856.85  |                         |
| Uruguay               | 15,000,000.00             | 1,500.00            | 3,748,541.96              | 11,249,958.04             |                |                         |
| Venezuela             | 12,500,000.00             |                     | 3,125,004.30              |                           | 9,374,995.70   |                         |
| Viet-Nam              | 60,000,000.00             | 6,000.00            | 7,896,966.11              | 52,097,033.89             |                |                         |
| Yugoslavia            |                           |                     |                           |                           |                |                         |
| <b>TOTALS</b>         | <b>\$9,228,000,000.00</b> | <b>\$747,150.00</b> | <b>\$1,740,033,599.16</b> | <b>\$6,543,606,003.69</b> | <b>-0-</b>     | <b>\$943,613,247.15</b> |

<sup>1</sup> As per Article XX, Section 2(d), of the Articles of Agreement.

<sup>2</sup> In addition, Ecuador has paid gold and currency equivalent to US\$5 million representing its subscription payment in anticipation of an authorized increase in quota. This payment is shown under a separate caption on the Balance Sheet.

<sup>3</sup> Accepted provisionally at the rate of 11.4000 rupiah per U.S. dollar, subject to such adjustment as may be necessary when a par value for the rupiah is agreed upon.

Schedule 4

OTHER ASSETS  
as at April 30, 1959

|   |               |                |                       |
|---|---------------|----------------|-----------------------|
| ACCOUNTS RECEIVABLE—MEMBERS.....  |               | \$6,118,542.65 |                       |
| <i>(charges on Fund's holdings<br/>of currencies in excess of quotas)</i> |               |                |                       |
| ACCRUED INCOME FROM INVESTMENTS.....                                      |               |                | 650,042.27            |
| SUNDRY DEBTORS  |               |                |                       |
| Advances to building contractor.....                                      | \$238,932.09  |                |                       |
| Deposits.....   | 17,054.71     |                |                       |
| Commercial accounts.....  | 23,845.07     |                |                       |
| Advances against salary.....  | 28,839.00     |                |                       |
| Travel advances.....  | 17,505.81     |                |                       |
| Other receivables.....  | 9,801.69      |                | 335,978.37            |
|   |               |                | <hr/>                 |
| PREPAYMENTS   |               |                |                       |
| Postage.....  | \$ 5,864.27   |                |                       |
| Insurance.....  | 18,711.00     |                |                       |
| Travel.....   | 6,827.16      |                |                       |
| Other.....  | 6,416.71      |                | 37,819.14             |
|   |               |                | <hr/>                 |
| SUNDRY CASH   |               |                |                       |
| On hand.....  | \$ 1,200.00   |                |                       |
| With European Office.....   | 6,480.74      |                |                       |
| Food Service Account.....   | 15,500.00     |                | 23,180.74             |
|   |               |                | <hr/>                 |
| LAND AND BUILDING   |               |                |                       |
| Land, at cost.....  | \$ 999,028.72 |                |                       |
| Building, in process of completion.....                                   | 4,539,451.74  |                |                       |
|   |               | \$5,538,480.46 |                       |
| Less: Reserve.....  | 5,538,480.46  |                | —                     |
|   |               | <hr/>          |                       |
| FURNITURE, EQUIPMENT, AND AUTOMOBILES                                     |               |                |                       |
| Furniture and equipment, at cost.....                                     | \$760,408.83  |                |                       |
| Automobiles, at cost.....   | 14,134.92     |                |                       |
|   |               | \$774,543.75   |                       |
| Less: Reserve.....  | 774,543.75    |                | —                     |
|   |               | <hr/>          |                       |
| LIBRARIES   |               |                |                       |
| Books for Law Library, at cost.....                                       | \$33,098.04   |                |                       |
| Fund's share of cost of books for Joint Library..                         | 43,054.85     |                |                       |
|   |               | \$76,152.89    |                       |
| Less: Reserve.....  | 76,152.89     |                | —                     |
|   |               | <hr/>          |                       |
| TOTAL OTHER ASSETS (carried to Balance Sheet).....                        |               |                | <u>\$7,165,563.17</u> |

**OTHER LIABILITIES**  
as at April 30, 1959

|  |              |                            |
|--|--------------|----------------------------|
| <b>ACCRUALS</b>  |              |                            |
| Building construction.....   | \$ 72,060.83 |                            |
| Salaries and other compensations and benefits...                                   | 148,091.17   |                            |
| Travel.....  | 54,513.00    |                            |
| Office occupancy.....  | 30,974.33    |                            |
| Other.....   | 29,011.80    | \$334,651.13               |
|  | <hr/>        |                            |
| <b>POTENTIAL REBATE OF INTEREST RECEIVED</b>                                       |              |                            |
| FROM WITHDRAWING MEMBER.....   |              | 51,733.20                  |
| <b>ACCOUNTS PAYABLE.....</b>   |              | 1,515.99                   |
| <b>DEFERRED CREDITS.....</b>   |              | 7,241.07                   |
| <i>(subscriptions to Fund's publications<br/>for periods after April 30, 1959)</i> |              |                            |
| <b>TOTAL OTHER LIABILITIES (carried to Balance Sheet).....</b>                     |              | <u><u>\$395,141.39</u></u> |



**STAFF RETIREMENT FUND**  
**MEMORANDUM BY THE AUDIT COMMITTEE**

June 19, 1959

To the Managing Director  
and the Executive Directors  
International Monetary Fund

The report of the Audit Committee, dated June 19, 1959, submitted through you to the Board of Governors, on the audit of the financial records and transactions of the International Monetary Fund for the fiscal year ended April 30, 1959, includes the following paragraphs relating to the scope of the audit conducted, the financial statements examined, the investments held and the audit certificate given with respect to the Staff Retirement Fund:

**SCOPE OF THE AUDIT**

The Audit Committee made an examination of the separate accounts and financial statements relating to the Staff Retirement Fund for the fiscal year ended April 30, 1959. In the course of the examination, the Committee referred to the Articles of the Staff Retirement Plan and to the decisions of the Pension, Administration and Investment Committees created under the Plan. The Audit Committee made a test check of the various classes of transactions, and took into account the work done by the Internal Auditor, as reported upon by him to the Committee. This report showed that a detailed examination had been made of the participants' accounts.

**FINANCIAL STATEMENTS**

Section 9.1 of the Articles of the Staff Retirement Plan provides that "all the contributions made by the Employer and by participants . . . and all other assets, funds and income of the Plan, shall . . . become the property of the Employer, and shall be held and administered by the Employer, separately from its other property and assets." Appended to this report, as a separate series of exhibits and a supporting schedule, are the following audited financial statements summarizing the Staff Retirement Fund transactions:

|   |                       |
|---|-----------------------|
| Balance Sheet as at April 30, 1959  | Exhibit I             |
| Statement of Participants' Account<br>for the year ended April 30, 1959       | Exhibit II            |
| Statement of Accumulation Account for<br>the year ended April 30, 1959        | Exhibit III           |
| Statement of Retirement Reserve Account<br>for the year ended April 30, 1959  | Exhibit IV            |
| Statement of Reserve Against Investments<br>for the year ended April 30, 1959 | Exhibit V             |
| Schedule of Investments as at<br>April 30, 1959                               | Schedule to Exhibit I |

## INVESTMENTS

The Audit Committee received confirmation directly from the depository regarding the investments held as at April 30, 1959, and ascertained that the holdings of the various classes of investments were within the limiting percentages prescribed by the Pension Committee, as follows:

|   | <u>Authorized<br/>Percentage</u> | <u>Actual<br/>Percentage</u> | <u>Book<br/>Value</u> |
|---|----------------------------------|------------------------------|-----------------------|
| <b>Bonds:</b>   |                                  |                              |                       |
| U.S. Government   | Minimum 30                       | 41.23                        | \$2,981,511           |
| International Bank for<br>Reconstruction and<br>Development | Maximum 20                       | 13.49                        | 975,279               |
| Corporate (other than<br>convertible)                       | Maximum 25                       | 16.31                        | 1,179,664             |
| Corporate convertible                                       | Maximum 5                        | —                            | —                     |
| Corporate stocks  | Maximum 35                       | <u>28.97</u>                 | <u>2,094,972</u>      |
| <b>Totals</b>   |                                  | <u>100.00</u>                | <u>\$7,231,426</u>    |

It was observed that decisions regarding the buying and selling of investments had been made by the Investment Committee after giving due consideration to advice by the Investment Consultant.

## AUDIT CERTIFICATE

As a result of our examination of the separate accounts and financial statements relating to the Staff Retirement Fund for the fiscal year ended April 30, 1959, we report that, in our opinion, the Balance Sheet and the related Statements of Participants' Account, Accumulation Account and Retirement Re-

serve Account, present fairly the financial position of the Staff Retirement Fund as at April 30, 1959, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

**AUDIT COMMITTEE:**

/s/ Ian Stevenson, Chairman (Canada)

/s/ Horst Peckolt (Federal Republic of Germany)

/s/ Gabriel Orellana (Guatemala)

STAFF RETIREMENT FUND  
BALANCE SHEET  
as at April 30, 1959

## ASSETS

|  |                |                |                       |
|--|----------------|----------------|-----------------------|
| CASH AT BANKS.....   | \$             | 4,319.19       |                       |
| INVESTMENTS (Schedule)   |                |                |                       |
| Bonds, at amortized value  |                |                |                       |
| United States Government   |                |                |                       |
| ( <i>market value, \$2,828,998</i> )....   | \$2,981,510.71 |                |                       |
| International Bank for Recon-<br>struction and Development                             |                |                |                       |
| ( <i>market value, \$940,055</i> )....   | 975,278.82     |                |                       |
| Commercial ( <i>market value,</i><br><i>\$987,407</i> ).....                           | 1,179,664.45   | \$5,136,453.98 |                       |
|  |                |                |                       |
| Corporate stocks (common), at cost ( <i>market</i><br><i>value, \$3,142,250</i> )..... | 2,094,972.10   | 7,231,426.08   |                       |
| ACCRUED INTEREST ON BONDS.....   |                | 48,029.96      |                       |
| ACCRUED CONTRIBUTIONS FROM PARTICIPANTS AND EMPLOYER....                               |                | 16,057.08      |                       |
|  |                |                |                       |
| TOTAL ASSETS.....  |                |                | <u>\$7,299,832.31</u> |

## LIABILITIES AND RESERVES

|  |                |                       |
|--|----------------|-----------------------|
| PARTICIPANTS' ACCOUNT (Exhibit II).....      | \$1,524,413.53 |                       |
| ACCUMULATION ACCOUNT (Exhibit III).....      | 5,013,496.48   |                       |
| RETIREMENT RESERVE ACCOUNT (Exhibit IV)..... | 520,157.24     |                       |
| RESERVE AGAINST INVESTMENTS (Exhibit V)..... | 241,765.06     |                       |
|  |                |                       |
| TOTAL LIABILITIES AND RESERVES.....          |                | <u>\$7,299,832.31</u> |

/s/ Y. C. KOO  
Treasurer

/s/ PER JACOBSSON  
Managing Director

/s/ CHARLES M. POWELL  
Comptroller and Assistant Treasurer

Exhibit II

STAFF RETIREMENT FUND  
STATEMENT OF PARTICIPANTS' ACCOUNT

for the year ended April 30, 1959

|  | <i>Prior<br/>Service</i> | <i>Participating<br/>Service</i> | <i>Additional<br/>Contributions</i> |
|--|--------------------------|----------------------------------|-------------------------------------|
| BALANCE, April 30, 1958.....                             | —                        | \$1,348,619.97                   | \$4,998.79                          |
| Add  |                          |                                  |                                     |
| Participants' contributions.....                         | \$663.73                 | \$ 208,926.19                    | \$2,820.00                          |
| Interest credited to participants..                      |                          | 42,099.30                        | 179.87                              |
| Transfers from IBRD Retirement<br>Plan (net).....        |                          | 1,893.47                         |                                     |
| Transfers from prior service con-<br>tributions.....     |                          | 663.73                           |                                     |
|  | <u>\$663.73</u>          | <u>\$ 253,582.69</u>             | <u>\$2,999.87</u>                   |
| Deduct   |                          |                                  |                                     |
| Refunds on withdrawal of par-<br>ticipants.....          |                          | \$ 47,134.70                     | \$ 388.60                           |
| Transfers to Retirement Reserve<br>Account.....          |                          | 38,264.49                        |                                     |
| Transfers to participating service<br>contributions..... | \$663.73                 |                                  |                                     |
|  | <u>\$663.73</u>          | <u>\$ 85,399.19</u>              | <u>\$ 388.60</u>                    |
| BALANCE, April 30, 1959.....                             | <u>-0-</u>               | <u>\$1,516,803.47</u>            | <u>\$7,610.06</u>                   |
| TOTAL (carried to Balance Sheet).....                    |                          | <u>\$1,524,413.53</u>            |                                     |

**STAFF RETIREMENT FUND**  
**STATEMENT OF ACCUMULATION ACCOUNT**  
for the year ended April 30, 1959

|  |              |              |                       |
|--|--------------|--------------|-----------------------|
| BALANCE, April 30, 1958.....                               |              |              | \$3,720,921.26        |
| Add  |              |              |                       |
| Employer's contributions                                   |              |              |                       |
| Participating service.....                                 | \$416,806.70 |              |                       |
| Prior service.....   | 918,000.00   | 1,334,806.70 |                       |
|  |              |              | <hr/>                 |
| Income from investments                                    |              |              |                       |
| Interest earned on bonds.....                              | \$147,216.29 |              |                       |
| Dividends received on corporate stocks....                 | 86,550.83    | 233,767.12   |                       |
|  |              |              | <hr/>                 |
| Net profit on sale of investments.....                     | \$181,024.09 |              |                       |
| Less: Transfer to Reserve Against<br>Investments.....      | 181,024.09   | —            |                       |
|  |              |              | <hr/>                 |
| Transfers from IBRD Retirement Plan (net).....             |              | 3,595.97     |                       |
|  |              |              | <hr/>                 |
|  |              |              | \$5,293,091.05        |
| Deduct   |              |              |                       |
| Transfers to Retirement Reserve Account....                | \$215,081.54 |              |                       |
| Withdrawal benefits.....                                   | 12,662.48    |              |                       |
| Interest transferred to Participants' Account .            | 42,279.17    |              |                       |
| Interest transferred to Retirement Reserve<br>Account..... | 9,571.38     | 279,594.57   |                       |
|  |              |              | <hr/>                 |
| BALANCE, April 30, 1959 (carried to Balance Sheet).....    |              |              | <u>\$5,013,496.48</u> |

Exhibit IV

STAFF RETIREMENT FUND  
STATEMENT OF RETIREMENT RESERVE ACCOUNT  
for the year ended April 30, 1959

|  |              |              |
|--|--------------|--------------|
| BALANCE, April 30, 1958 .....                            |              | \$278,049.72 |
| Add  |              |              |
| Transfers from   |              |              |
| Accumulation Account .....                               | \$215,081.54 |              |
| Participants' Account .....                              | 38,264.49    | 253,346.03   |
|  |              |              |
| Interest credited .....                                  |              | 9,571.38     |
|  |              | \$540,967.13 |
| Deduct   |              |              |
| Pension payments to retired participants .....           | \$ 18,973.84 |              |
| Payment upon death of retired participant .....          | 1,836.05     | 20,809.89    |
|  |              |              |
| BALANCE, April 30, 1959 (carried to Balance Sheet) ..... |              | \$520,157.24 |

Exhibit V

STAFF RETIREMENT FUND  
STATEMENT OF RESERVE AGAINST INVESTMENTS  
for the year ended April 30, 1959

|  |             |              |
|--|-------------|--------------|
| BALANCE, April 30, 1958 .....                            |             | \$ 60,740.97 |
| Add  |             |              |
| Transfer from Accumulation Account, representing         |             |              |
| Profits on sale of                                       |             |              |
| Bonds .....  | \$ 1,426.88 |              |
| Corporate stocks .....                                   | 236,603.17  | \$238,030.05 |
|  |             |              |
| Less: Losses on sale of bonds .....                      | 57,005.96   | F 181,024.09 |
|  |             |              |
| BALANCE, April 30, 1959 (carried to Balance Sheet) ..... |             | \$241,765.06 |

Schedule  
to Exhibit I

STAFF RETIREMENT FUND  
SCHEDULE OF INVESTMENTS  
April 30, 1959

|  | Interest<br>Rate—% | Maturity | Face Value    | Book Value     |                |
|--|--------------------|----------|---------------|----------------|----------------|
| <b>BONDS</b>   |                    |          |               |                |                |
| United States Government   |                    |          |               |                |                |
| Savings, Series G  | 2½                 | 1960     | \$ 100,000.00 | \$ 100,000.00  |                |
| "      "      "  | 2½                 | 1961     | 32,000.00     | 32,000.00      |                |
| "      "      "  | 4                  | 1980     | 700,000.00    | 693,074.15     |                |
| Treasury   | 3½                 | 1990     | 1,395,000.00  | 1,395,298.31   |                |
| "      "      "  | —                  | 1959     | 150,000.00    | 149,695.83     |                |
| Treasury Bills   | —                  | 1959     | 150,000.00    | 149,267.42     |                |
| "      "      "  | —                  | 1960     | 475,000.00    | 462,175.00     | \$2,981,510.71 |
| <b>International Bank for Recon-<br/>struction and Development</b>                             |                    |          |               |                |                |
| "      "      "  | 4½                 | 1973     | 26,000.00     | \$ 26,098.44   |                |
| "      "      "  | 4½                 | 1977     | 194,000.00    | 201,337.14     |                |
| "      "      "  | 4¼                 | 1978     | 443,000.00    | 433,642.50     |                |
| "      "      "  | 4¼                 | 1979     | 115,000.00    | 114,200.74     |                |
| "      "      "  | 4¾                 | 1980     | 200,000.00    | 200,000.00     | 975,278.82     |
| <b>Commercial</b>  |                    |          |               |                |                |
| American Telephone and Tel-<br>egraph Company—Deben-<br>tures                                  | 2¾                 | 1980     | 38,000.00     | \$ 38,078.14   |                |
| American Telephone and Tel-<br>egraph Company—Deben-<br>tures                                  | 3¼                 | 1984     | 30,000.00     | 30,950.45      |                |
| American Telephone and Tel-<br>egraph Company—Deben-<br>tures                                  | 2½                 | 1986     | 44,000.00     | 39,299.93      |                |
| American Telephone and Tel-<br>egraph Company—Deben-<br>tures                                  | 2½                 | 1987     | 24,000.00     | 22,867.68      |                |
| Atchison, Topeka and Santa<br>Fe Railway Company—<br>General Mortgage                          | 4                  | 1995     | 32,000.00     | 35,679.48      |                |
| Central New York Power<br>Company—General Mort-<br>gage  | 3                  | 1974     | 31,000.00     | 29,741.00      |                |
| Commonwealth Edison Com-<br>pany—Ist Mortgage, Series<br>"T"                                   | 3¾                 | 1988     | 18,000.00     | 18,021.81      |                |
| Commonwealth Edison Com-<br>pany—Sinking Fund De-<br>bentures                                  | 3½                 | 2004     | 100,000.00    | 97,176.99      |                |
| Connecticut Light and Power<br>Co. — Ist & Refunding<br>Mortgage, Series "L"                   | 2¾                 | 1984     | 12,000.00     | 12,203.50      |                |
| Consolidated Edison Com-<br>pany of New York, Inc.—<br>Ist & Refunding Mortgage,<br>Series "E" | 3                  | 1979     | 38,000.00     | 39,281.18      |                |
| Consolidated Edison Com-<br>pany of New York, Inc.—<br>Ist & Refunding Mortgage,<br>Series "A" | 2¾                 | 1982     | 16,000.00     | 15,013.26      |                |
| Consolidated Natural Gas<br>Company—Sinking Fund<br>Debentures                                 | 3½                 | 1979     | 30,000.00     | 30,630.61      |                |
| Duke Power Company—Ist<br>& Refunding Mortgage   | 2½                 | 1979     | 13,000.00     | 13,460.86      |                |
| Illinois Bell Telephone Com-<br>pany—Ist Mortgage, Series<br>"A"                               | 2¾                 | 1981     | 25,000.00     | 25,285.07      |                |
| Kansas City Power and Light<br>Company—Ist Mortgage  | 3¼                 | 1983     | 15,000.00     | 15,159.86      |                |
| Carried forward.....   |                    |          | \$ 462,849.82 | \$3,956,789.53 |                |



Schedule  
to Exhibit I  
(continued)

STAFF RETIREMENT FUND  
SCHEDULE OF INVESTMENTS  
April 30, 1959

|   | <i>Interest<br/>Rate—%</i> | <i>Maturity</i> | <i>Face Value</i> | <i>Book Value</i> |
|---|----------------------------|-----------------|-------------------|-------------------|
| Brought forward.....  |                            |                 | \$ 462,849.82     | \$3,956,789.53    |
| <b>BONDS</b>  |                            |                 |                   |                   |
| <i>Commercial (continued)</i>   |                            |                 |                   |                   |
| New York Power and Light Corporation — 1st Mortgage                   | 2¾                         | 1975            | \$15,000.00       | 13,473.41         |
| New York Telephone Company — Refunding Mortgage, Series "D"           | 2¾                         | 1982            | 50,000.00         | 48,542.48         |
| New York Telephone Company — Refunding Mortgage, Series "H"           | 3                          | 1989            | 32,000.00         | 32,169.24         |
| New York Telephone Company — Refunding Mortgage, Series "J"           | 4½                         | 1991            | 18,000.00         | 17,832.87         |
| Niagara Mohawk Power Corporation—General Mortgage                     | 4%                         | 1987            | 30,000.00         | 30,246.34         |
| Niagara Mohawk Power Corporation—General Mortgage                     | 3%                         | 1988            | 32,000.00         | 31,798.28         |
| Owens-Illinois Glass Co.—Sinking Fund Debentures                      | 3¾                         | 1988            | 25,000.00         | 25,121.18         |
| Pacific Gas and Electric Company—1st & Refunding Mortgage, Series "Q" | 2%                         | 1980            | 14,000.00         | 13,482.87         |
| Pacific Gas and Electric Company—1st & Refunding Mortgage, Series "S" | 3                          | 1983            | 45,000.00         | 46,559.00         |
| Pacific Gas and Electric Company—1st & Refunding Mortgage, Series "X" | 3%                         | 1984            | 21,000.00         | 21,262.32         |
| Pacific Gas and Electric Company—1st & Refunding Mortgage, Series "Z" | 3%                         | 1988            | 20,000.00         | 19,947.87         |
| Pacific Telephone and Telegraph Company—Debentures                    | 5%                         | 1980            | 49,000.00         | 50,390.94         |
| Pacific Telephone and Telegraph Company—Debentures                    | 2%                         | 1986            | 51,000.00         | 46,550.98         |
| Philadelphia Electric Company—1st & Refunding Mortgage                | 2¾                         | 1974            | 24,000.00         | 24,213.50         |
| Potomac Electric Power Company—1st Mortgage                           | 2¾                         | 1985            | 44,000.00         | 44,254.36         |
| Potomac Electric Power Company—1st Mortgage                           | 3%                         | 1990            | 14,000.00         | 14,420.63         |
| Public Service Electric and Gas Company—1st & Refunding Mortgage      | 2%                         | 1979            | 40,000.00         | 41,164.33         |
| Public Service Electric and Gas Company—1st & Refunding Mortgage      | 3¾                         | 1984            | 20,000.00         | 20,762.75         |
| Public Service Electric and Gas Company—1st & Refunding Mortgage      | 4%                         | 1987            | 15,000.00         | 15,145.76         |
| Sears, Roebuck and Co.—Sinking Fund Debentures                        | 4¾                         | 1983            | 50,000.00         | 50,000.00         |
| Carried forward.....  |                            |                 | \$1,070,188.93    | \$3,956,789.53    |

Schedule  
to Exhibit I  
(continued)

**STAFF RETIREMENT FUND**  
**SCHEDULE OF INVESTMENTS**  
**April 30, 1959**

|  | <i>Interest<br/>Rate—%</i> | <i>Maturity</i> | <i>Face Value</i> | <i>Book Value</i>                |
|--|----------------------------|-----------------|-------------------|----------------------------------|
| Brought forward.....   |                            |                 |                   | \$1,070,188.93    \$3,956,789.53 |
| <b>BONDS</b>   |                            |                 |                   |                                  |
| Commercial (continued)   |                            |                 |                   |                                  |
| Southern Bell Telephone and<br>Telegraph Company—De-<br>bentures                 | 3¼                         | 1995            | \$10,000.00       | 10,102.47                        |
| Southern California Edison<br>Company—1st & Refund-<br>ing Mortgage, Series "J"  | 4¾                         | 1982            | 13,000.00         | 13,094.19                        |
| Southern California Edison<br>Company—1st & Refund-<br>ing Mortgage, Series "J"  | 4½                         | 1982            | 30,000.00         | 30,456.52                        |
| United States Steel Corpora-<br>tion—Sinking Fund Deben-<br>tures                | 4                          | 1983            | 16,000.00         | 16,077.59                        |
| Virginia Electric and Power<br>Company—1st & Refund-<br>ing Mortgage, Series "K" | 3¼                         | 1984            | 39,000.00         | 39,744.75                        |
| <b>TOTAL BONDS.....</b>  |                            |                 |                   | <b>\$5,136,453.98</b>            |

|  | <i>No. of<br/>Shares</i> | <i>Book Value</i>                     |
|--|--------------------------|---------------------------------------|
| <b>CORPORATE STOCKS (Common)</b>         |                          |                                       |
| Abbott Laboratories                      | 200                      | \$ 11,063.00                          |
| Addressograph-Multigraph Corporation     | 247                      | 8,552.83                              |
| Allied Chemical Corporation              | 320                      | 29,077.69                             |
| Aluminum Company of America              | 200                      | 7,433.73                              |
| American Airlines, Incorporated          | 1500                     | 27,766.10                             |
| American Can Company                     | 1060                     | 37,307.89                             |
| American Cyanamid Company                | 600                      | 13,939.12                             |
| American Natural Gas Company             | 880                      | 36,551.98                             |
| American Telephone and Telegraph Company | 201                      | 34,702.06                             |
| Atlas Powder Company                     | 200                      | 8,321.25                              |
| Bankers Trust Company of New York        | 300                      | 18,112.50                             |
| Bethlehem Steel Corporation              | 100                      | 5,181.64                              |
| Caterpillar Tractor Co.                  | 840                      | 19,523.58                             |
| C.I.T. Financial Corporation             | 1300                     | 61,950.85                             |
| Consolidated Natural Gas Company         | 1000                     | 34,689.39                             |
| Consolidation Coal Co.                   | 400                      | 15,779.14                             |
| Consumers Power Company                  | 1000                     | 41,895.97                             |
| Continental Can Company                  | 500                      | 23,014.12                             |
| Continental Insurance Company            | 900                      | 40,498.77                             |
| Corning Glass Works                      | 150                      | 12,089.53                             |
| Crown Zellerbach Corporation             | 600                      | 25,084.63                             |
| Deere & Company                          | 1200                     | 34,927.91                             |
| Dow Chemical Company                     | 244                      | 7,839.86                              |
| duPont (E. I.) de Nemours and Company    | 100                      | 11,058.51                             |
| Eastern Air Lines, Incorporated          | 630                      | 25,994.89                             |
| Eastman Kodak Company                    | 352                      | 10,165.24                             |
| Federated Department Stores, Inc.        | 700                      | 23,157.19                             |
| Fidelity-Phenix Fire Insurance Company   | 500                      | 21,913.94                             |
| Firestone Tire and Rubber Company        | 213                      | 9,960.18                              |
| First National City Bank of New York     | 100                      | 8,150.00                              |
| First National Stores, Incorporated      | 200                      | 10,104.73                             |
| Ford Motor Company                       | 500                      | 31,421.30                             |
| <b>Carried forward.....</b>              |                          | <b>\$707,229.52    \$5,136,453.98</b> |

Schedule  
to Exhibit I  
(concluded)

STAFF RETIREMENT FUND  
SCHEDULE OF INVESTMENTS  
April 30, 1959

|   | <i>No. of<br/>Shares</i> | <i>Book Value</i> |                       |
|---|--------------------------|-------------------|-----------------------|
| Brought forward.....                              |                          | \$707,229.52      | \$5,136,453.98        |
| CORPORATE STOCKS (Common)—(continued)             |                          |                   |                       |
| General Electric Company                          | 500                      | 11,421.71         |                       |
| General Motors Corporation                        | 1530                     | 58,124.62         |                       |
| Goodrich (B. F.) Company                          | 500                      | 21,487.38         |                       |
| Goodyear Tire and Rubber Company                  | 213                      | 15,907.74         |                       |
| Hanna (M. A.) Company                             | 300                      | 31,150.00         |                       |
| Hartford Fire Insurance Company                   | 157                      | 13,247.25         |                       |
| Hercules Powder Company                           | 500                      | 10,324.44         |                       |
| Idaho Power Company                               | 800                      | 17,321.21         |                       |
| Illinois Power Company                            | 600                      | 17,773.92         |                       |
| International Business Machines Corporation       | 30                       | 2,892.56          |                       |
| International Harvester Company                   | 1700                     | 65,060.83         |                       |
| International Nickel Company of Canada, Limited   | 300                      | 11,738.25         |                       |
| International Paper Company                       | 528                      | 19,463.85         |                       |
| Jewel Tea Co., Inc.                               | 628                      | 17,017.31         |                       |
| Johns-Manville Corporation                        | 1300                     | 67,646.93         |                       |
| Kansas Gas & Electric Co.                         | 400                      | 14,661.06         |                       |
| Koppers Company, Incorporated                     | 100                      | 5,202.66          |                       |
| May Department Stores Company                     | 1000                     | 40,809.13         |                       |
| McGraw-Edison Company                             | 1000                     | 26,928.01         |                       |
| Merck & Co., Inc.                                 | 300                      | 7,492.08          |                       |
| Minnesota Mining and Manufacturing Company        | 100                      | 2,904.76          |                       |
| Monsanto Chemical Company                         | 520                      | 15,902.63         |                       |
| Morgan Guaranty Trust Company of New York         | 240                      | 13,287.50         |                       |
| Montgomery Ward & Co.                             | 400                      | 14,153.59         |                       |
| Murphy (G. C.) Company                            | 1000                     | 44,398.57         |                       |
| National Cash Register Company                    | 325                      | 17,633.29         |                       |
| National Distillers and Chemical Corporation      | 520                      | 15,057.70         |                       |
| National Lead Company                             | 406                      | 21,683.44         |                       |
| National Steel Corp.                              | 700                      | 58,356.04         |                       |
| Northern Natural Gas Company                      | 976                      | 25,133.38         |                       |
| Ohio Edison Company                               | 426                      | 17,093.72         |                       |
| Ohio Oil Company                                  | 200                      | 8,635.31          |                       |
| Owens-Corning Fiberglas Corp.                     | 200                      | 9,986.70          |                       |
| Parke, Davis & Company                            | 600                      | 11,969.39         |                       |
| Penney (J. C.) Company, Inc.                      | 600                      | 67,476.19         |                       |
| Peoples Gas Light and Coke Company                | 873                      | 28,340.16         |                       |
| Pfizer (Chas.) & Co., Inc.                        | 200                      | 6,971.26          |                       |
| Phillips Petroleum Company                        | 800                      | 34,585.36         |                       |
| Pittsburgh Plate Glass Company                    | 525                      | 24,600.94         |                       |
| Public Service Co. of Indiana                     | 1200                     | 57,676.35         |                       |
| Pure Oil Company                                  | 1500                     | 66,264.42         |                       |
| Radio Corporation of America                      | 500                      | 18,127.32         |                       |
| Sears, Roebuck and Co.                            | 1319                     | 32,916.83         |                       |
| Sherwin-Williams Company                          | 100                      | 7,194.91          |                       |
| Socony-Mobil Oil Company, Incorporated            | 1362                     | 47,916.58         |                       |
| Southern Company                                  | 400                      | 9,109.12          |                       |
| Standard Oil Company of Indiana                   | 700                      | 40,603.83         |                       |
| Standard Oil Company (New Jersey)                 | 1240                     | 46,861.39         |                       |
| Texas Utilities Company                           | 500                      | 12,421.33         |                       |
| Union Carbide Corporation                         | 200                      | 15,829.75         |                       |
| United Gas Corporation                            | 1610                     | 54,700.92         |                       |
| United States Fidelity and Guaranty Company       | 145                      | 5,615.80          |                       |
| United States Gypsum Company                      | 300                      | 19,774.66         |                       |
| United States Steel Corporation                   | 100                      | 3,502.23          |                       |
| Westinghouse Electric Corporation                 | 600                      | 28,312.99         |                       |
| Youngstown Sheet and Tube Company                 | 100                      | 7,073.28          | 2,094,972.10          |
| TOTAL INVESTMENTS (carried to Balance Sheet)..... |                          |                   | <u>\$7,231,426.08</u> |

## Appendix XI (i). SCHEDULE OF PAR VALUES—as of June 30, 1959

## CURRENCIES OF METROPOLITAN AREAS

| Member                       | Currency      | Par Values<br>In Terms of Gold             |   | Par Values<br>In Terms of U.S. Dollars  |                                    |
|------------------------------|---------------|--|---|---|------------------------------------|
|                              |               | Grams of fine<br>gold per<br>currency unit | Currency<br>units per<br>troy ounce<br>of fine gold | Currency<br>units per<br>U.S.<br>dollar | U.S. cents<br>per currency<br>unit |
| Afghanistan                  | Afghani       | Par value not yet established              |   |   |                                    |
| Argentina                    | Peso          | 0.049 370 6                                | 630.000   | 18.000 0                                | 5.555 56                           |
| Australia                    | Pound         | 1.990 62                                   | 15.625 0  | 0.446 429                               | 224.000                            |
| Austria                      | Schilling     | 0.034 179 6                                | 910.000   | 26.000 0                                | 3.846 15                           |
| Belgium                      | Franc         | 0.017 773 4                                | 1,750.00  | 50.000 0                                | 2.000 00                           |
| Bolivia <sup>1</sup>         | Boliviano     |  |   |   |                                    |
| Brazil                       | Cruzeiro      | 0.048 036 3                                | 647.500   | 18.500 0                                | 5.405 41                           |
| Burma                        | Kyat          | 0.186 621                                  | 166.667   | 4.761 90                                | 21.000 0                           |
| Canada <sup>2</sup>          | Dollar        |  |   |   |                                    |
| Ceylon                       | Rupee         | 0.186 621                                  | 166.667   | 4.761 90                                | 21.000 0                           |
| Chile <sup>3</sup>           | Peso          |  |   |   |                                    |
| 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                            |
| 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                           |
| 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        | 0.002 777 10                               | 11,200.0  | 320.000                                 | 0.312 500                          |
| France                       | Franc         | 0.001 800 00                               | 17,279.7  | 493.706                                 | 0.202 550                          |
| Germany, Federal Republic of | Deutsche Mark | 0.211 588                                  | 147.000   | 4.200 00                                | 23.809 5                           |
| Ghana                        | Pound         | 2.488 28                                   | 12.500 0  | 0.357 143                               | 280.000                            |
| Greece                       | Drachma       | Par value not yet established              |   |   |                                    |
| Guatemala                    | Quetzal       | 0.888 671                                  | 35.000 0  | 1.000 00                                | 100.000                            |
| Haiti                        | Gourde        | 0.177 734                                  | 175.000   | 5.000 00                                | 20.000 0                           |

## Appendix XI (i) (concluded). SCHEDULE OF PAR VALUES—as of June 30, 1959

## CURRENCIES OF METROPOLITAN AREAS

| Member                 | Currency | Par Values<br>In Terms of Gold             |   | Par Values<br>In Terms of U.S. Dollars  |                                    |
|------------------------|----------|--|---|---|------------------------------------|
|                        |          | Grams of fine<br>gold per<br>currency unit | Currency<br>units per<br>troy ounce<br>of fine gold | Currency<br>units per<br>U.S.<br>dollar | U.S. cents<br>per currency<br>unit |
| 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                           |
| Indonesia <sup>4</sup> | Rupiah   | Par value not yet established              |   |   |                                    |
| Iran                   | Rial     | 0.011 731 6                                | 2,651.25  | 75.750 0                                | 1.320 13                           |
| Iraq                   | Dinar    | 2.488 28                                   | 12.500 0  | 0.357 143                               | 280.000                            |
| Ireland                | Pound    | 2.488 28                                   | 12.500 0  | 0.357 143                               | 280.000                            |
| Israel                 | Pound    | 0.493 706                                  | 63.000 0  | 1.800 00                                | 55.555 6                           |
| Italy                  | Lira     | Par value not yet established              |   |   |                                    |
| Japan                  | Yen      | 0.002 468 53                               | 12,600.0  | 360.000                                 | 0.277 778                          |
| Jordan                 | Dinar    | 2.488 28                                   | 12.500 0  | 0.357 143                               | 280.000                            |
| Korea                  | Hwan     | Par value not yet established              |   |   |                                    |
| Lebanon                | Pound    | 0.405 512                                  | 76.701 8  | 2.191 48                                | 45.631 3                           |
| Libya                  | Pound    | Par value not yet established              |   |   |                                    |
| Luxembourg             | Franc    | 0.017 773 4                                | 1,750.00  | 50.000 0                                | 2.000 00                           |
| Malaya                 | Dollar   | Par value not yet established              |   |   |                                    |
| Mexico                 | Peso     | 0.071 093 7                                | 437.500   | 12.500 0                                | 8.000 00                           |
| Morocco                | Franc    | Par value not yet established              |   |   |                                    |
| Netherlands            | Guilder  | 0.233 861                                  | 133.000   | 3.800 00                                | 26.315 8                           |
| Nicaragua              | Córdoba  | 0.126 953                                  | 245.000   | 7.000 00                                | 14.285 7                           |
| Norway                 | Krone    | 0.124 414                                  | 250.000   | 7.142 86                                | 14.000 0                           |
| Pakistan               | Rupee    | 0.186 621                                  | 166.667   | 4.761 90                                | 21.000 0                           |
| Panama                 | Balboa   | 0.888 671                                  | 35.000 0  | 1.000 00                                | 100.000                            |
| Paraguay <sup>5</sup>  | Guaraní  |  |   |   |                                    |
| Peru <sup>6</sup>      | Sol      |  |   |   |                                    |
| Philippines            | Peso     | 0.444 335                                  | 70.000 0  | 2.000 00                                | 50.000 0                           |

|                       |                |                               |                    |           |           |
|-----------------------|----------------|-------------------------------|--------------------|-----------|-----------|
| Saudi Arabia          | Riyal          | Par value not yet established |                    |           |           |
| Spain                 | Peseta         | Par value not yet established |                    |           |           |
| Sudan                 | Pound          | 2.551 87                      | 12.188 5           | 0.348 242 | 287.156   |
| Sweden                | Krona          | 0.171 783                     | 181.062            | 5.173 21  | 19.330 4  |
| Thailand              | Baht           | Par value not yet established |                    |           |           |
| Tunisia               | Dinar          | 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           | 0.357 143 | 280.000   |
|                       |                |                               | (or 250 shillings) |           |           |
| United Arab Republic  |                |                               |                    |           |           |
| Egypt                 | Pound          | 2.551 87                      | 12.188 5           | 0.348 242 | 287.156   |
| Syria                 | Pound          | 0.405 512                     | 76.701 8           | 2.191 48  | 45.631 3  |
| United Kingdom        | Pound Sterling | 2.488 28                      | 12.500 0           | 0.357 143 | 280.000   |
|                       |                |                               | (or 250 shillings) |           |           |
| 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  |
| Viet-Nam              | Piastre        | Par value not yet established |                    |           |           |
| Yugoslavia            | Dinar          | 0.002 962 24                  | 10,500.0           | 300.000   | 0.333 333 |

<sup>1</sup> The par value of the boliviano agreed by the Government of Bolivia and the Fund as of May 14, 1953 was 0.00467722 gram of fine gold per boliviano or 0.526316 U.S. cent per boliviano. Computations by the Fund involving bolivianos are made at the rate of 11,500 bolivianos per U.S. dollar.

<sup>2</sup> The par value agreed by the Government of Canada and the Fund as of September 19, 1949 was 0.807883 gram of fine gold per dollar or 90.9091 U.S. cents per dollar. On September 30, 1950, Canada introduced a new exchange system under which the exchange value of the dollar is 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. Computations by the Fund involving Canadian dollars are made in accordance with the rules on transactions and computations for fluctuating currencies published on pages 125-27 of the 1955 *Annual Report*.

<sup>3</sup> The par value of the Chilean peso agreed by the Government of Chile and the Fund as of October 5, 1953 was 0.00807883 gram of fine gold per peso or 0.909091 U.S. cent per peso. Computations by the Fund involving Chilean pesos are made at the rate of 1,049 Chilean pesos per U.S. dollar.

<sup>4</sup> Computations by the Fund are made on the basis of the rate of 11.40 Indonesian rupiah per U.S. dollar.

<sup>5</sup> The par value of the guarani agreed by the Government of Paraguay and the Fund as of March 1, 1956 was 0.0148112 gram of fine gold per guarani or 1.66667 U.S. cents per guarani. Computations by the Fund involving guaranies are made at the rate of 110 guaranies per U.S. dollar.

<sup>6</sup> The initial par value of the sol, established on December 18, 1946, was 0.136719 gram of fine gold per sol or 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. Computations by the Fund involving Peruvian soles are made in accordance with the rules on transactions and computations for fluctuating currencies published on pages 125-27 of the 1955 *Annual Report*.

**Appendix XI (ii). SCHEDULE OF PAR VALUES—as of June 30, 1959**  
**SEPARATE CURRENCIES IN NONMETROPOLITAN AREAS OF MEMBERS**

| Member and<br>Nonmetropolitan Areas   | Currency and Relation to<br>Metropolitan Unit          | Par Values<br>In Terms of Gold             |   | Par Values<br>In Terms of U.S. Dollars  |                                    |   |              |          |           |           |   |              |          |          |          |
|---|--|--|---|---|------------------------------------|---|--------------|----------|-----------|-----------|---|--------------|----------|----------|----------|
|   |  | Grams of fine<br>gold per<br>currency unit | Currency<br>units per<br>troy ounce<br>of fine gold | Currency<br>units per<br>U.S.<br>dollar | U.S. cents<br>per currency<br>unit |   |              |          |           |           |   |              |          |          |          |
| <b>BELGIUM</b><br>Belgian Congo   | Franc (parity with Belgian franc)                      | 0.017 773 4                                | 1,750.00  | 50.000 0                                | 2.000 00                           |   |              |          |           |           |   |              |          |          |          |
| <b>FRANCE</b><br>Algeria<br>French Antilles<br>French Guiana  | } Franc (parity with French franc)                     | 0.001 800 00                               | 17,279.7  | 493.706                                 | 0.202 550                          |   |              |          |           |           |   |              |          |          |          |
| 226<br>Cameroons<br>French Equatorial Africa<br>French West Africa<br>Madagascar and Dependencies<br>Réunion<br>St. Pierre and Miquelon<br>Togoland |  |  |   |   |                                    | } CFA <sup>1</sup> Franc (= 2.00 French francs) | 0.003 600 00 | 8,639.86 | 246.853   | 0.405 099 |   |              |          |          |          |
| French Possessions of Oceania<br>New Caledonia<br>New Hebrides  |  |  |   |   |                                    |   |              |          |           |           | } CFP <sup>2</sup> Franc (= 5.50 French francs) | 0.009 900 00 | 3,141.77 | 89.764 7 | 1.114 02 |
| French Somaliland   |  |  |   |   |                                    |   |              |          |           |           |   |              |          |          |          |
| <b>ITALY</b><br>Somaliland  | Somalo   | Par value not yet established              |   |   |                                    |   |              |          |           |           |   |              |          |          |          |
| <b>NETHERLANDS</b><br>Netherlands Antilles<br>Surinam<br>Netherlands New Guinea   | } Guilder (= 2.015<br>Netherlands guilders)<br>Guilder | 0.471 230                                  | 66.004 9  | 1.885 85                                | 53.026 4                           |   |              |          |           |           |   |              |          |          |          |
| <b>UNITED KINGDOM</b><br>Gambia<br>Nigeria<br>Sierra Leone  |  |  |   |   |                                    | } British West African Pound <sup>3</sup>       | 2,488 28     | 12,500 0 | 0.357 143 | 280,000   |   |              |          |          |          |

|                                      |   |  |           |          |           |          |
|--------------------------------------|---|--|-----------|----------|-----------|----------|
| Federation of Rhodesia and Nyasaland | Rhodesia and Nyasaland Pound <sup>3</sup> | }  | 2.488 28  | 12.500 0 | 0.357 143 | 280.000  |
| Bahamas                              | Bahamas Pound <sup>3</sup>                |  |           |          |           |          |
| Bermuda                              | Bermuda Pound <sup>3</sup>                |  |           |          |           |          |
| Cyprus                               | Cyprus Pound <sup>3</sup>                 |  |           |          |           |          |
| Falkland Islands                     | Falkland Islands Pound <sup>3</sup>       |  |           |          |           |          |
| Gibraltar                            | Gibraltar Pound <sup>3</sup>              |  |           |          |           |          |
| Jamaica                              | Jamaican Pound <sup>3</sup>               |  |           |          |           |          |
| Malta                                | Maltese Pound <sup>3</sup>                |  |           |          |           |          |
| Aden                                 | }   | British East African Shilling<br>(20 per pound sterling)                                   | 0.124 414 | 250.000  | 7.142 86  | 14.000 0 |
| British Somaliland                   |   |  |           |          |           |          |
| Kenya                                |   |  |           |          |           |          |
| Tanganyika                           |   |  |           |          |           |          |
| Uganda                               |   |  |           |          |           |          |
| Zanzibar                             |   |  |           |          |           |          |
| Barbadoes                            | }   | British West Indian Dollar<br>(4.80 per pound sterling)                                    | 0.518 391 | 60.000 0 | 1.714 29  | 58.333 3 |
| British Guiana                       |   |  |           |          |           |          |
| Leeward Islands                      |   |  |           |          |           |          |
| Trinidad                             |   |  |           |          |           |          |
| Windward Islands                     |   |  |           |          |           |          |
| British North Borneo                 | }   | Malayan Dollar<br>(8.571 43 per pound sterling, or 2 shillings 4 pence per Malayan dollar) | 0.290 299 | 107.143  | 3.061 22  | 32.666 7 |
| Brunei                               |   |  |           |          |           |          |
| Sarawak                              |   |  |           |          |           |          |
| Singapore                            |   |  |           |          |           |          |
| British Honduras                     |   | British Honduras Dollar<br>(4.00 per pound sterling)                                       | 0.622 070 | 50.000 0 | 1.428 57  | 70.000 0 |
| Fiji                                 |   | Fiji Pound (1.11 per pound sterling)   | 2.241 69  | 13.875 0 | 0.396 429 | 252.252  |
| Hong Kong                            |   | Hong Kong Dollar (16 per pound sterling)   | 0.155 517 | 200.000  | 5.714 29  | 17.500 0 |
| Mauritius                            | }   | Mauritius Rupee (13½ per pound sterling)   | 0.186 621 | 166.667  | 4.761 90  | 21.000 0 |
| Seychelles                           |   |  |           |          |           |          |
| Tonga                                |   | Tongan Pound (1.250 00 per pound sterling)   | 1.990 62  | 15.625 0 | 0.446 429 | 224.000  |

<sup>1</sup> Colonies Françaises d'Afrique.

<sup>2</sup> Colonies Françaises du Pacifique.

<sup>3</sup> Parity with sterling.



*This page intentionally left blank*

## **INDEX**

*This page intentionally left blank*

## INDEX

- ADMINISTRATIVE BUDGET, FUND**—164, 194, 195
- ADVANCE DEPOSITS FOR IMPORTS**—70, 112, 132, 143, 145
- AFGHANISTAN**—exchange system, 58
- AGRICULTURAL SURPLUSES**—11, 80
- ARGENTINA**—bank credit, 70, 107; bank reserve requirements, 107; domestic developments, 106-07; exchange system, 58, 107, 132, 136-37; exports, 107; gold reserves, 153; payments arrangements with Paraguay, 140; stabilization program, 20, 107; stand-by arrangement with Fund, 20
- ASSETS, FUND**—investment of, 163
- AUDIT COMMITTEE, FUND**—164
- AUSTRALIA**—balance of payments, 51, 104-06; bank credit, 64, 105; bank reserve requirements, 63; fiscal policy, 104; gold and foreign exchange reserves, 51, 105, 154; gold production, 148; gold subsidy program, 149; measures to deal with payments disequilibrium, 57, 104-06; money supply, 66, 105; terms of trade, 104
- AUSTRIA**—discount rate, 60; fiscal policy, 67; gold reserves, 154; industrial production, 33; monetary policy, 62
- BALANCE OF PAYMENTS**—developments in recent years, 46-52; measures to deal with payments disequilibrium, 56-58; *see also* entries under various countries
- BALANCE SHEETS**—Fund, 200; Staff Retirement Fund, 215
- BANK CREDIT**—*see* Credit Policy
- BELGIUM-LUXEMBOURG**—balance of payments, 48, 96-97; bank credit, 64; currency repurchase from Fund, 19; domestic developments, 96-97; EPU position, 129; fiscal policy, 67; gold and foreign exchange reserves, 54, 154; gold and gold coins, prices in Brussels, 159, 160; industrial production, 33, 96; interest rates, 60, 97; monetary policy, 62
- BILATERAL PAYMENTS ARRANGEMENTS**—30, 127, 131
- BOLIVIA**—balance of payments, 110-11; domestic developments, 110-11; exchange system, 58, 111, 138; money supply, 70; stabilization program, 110
- BRAZIL**—balance of payments, 51, 99-101; coffee stockpiling, 44, 99; currency purchase from Fund, 100; discount rate, 70; domestic developments, 99-102; exchange system, 58, 100, 127, 140; loans from abroad, 100
- BUDGET, FUND**—164, 194, 195
- "BUILT-IN STABILIZERS"**—2, 66
- BURMA**—balance of payments, 51; cost of living, 70; exports, 45, 51; foreign exchange reserves, 51
- CANADA**—balance of payments, 118-21; bank credit, 64; domestic developments, 118-21; exchange rate, 118, 135; fiscal policy, 67, 119; Fund quota, recommended increase, 15, 188; gold and foreign exchange reserves, 135, 136, 153; gold price, 150; gold production, 148; gold purchases by private citizens, facilities for, 156; gold subsidy program, 149, 150; industrial production, 33, 118; monetary policy, 64, 119; money supply, 66, 119; securities transactions, 119, 120
- CAPITAL TRANSFERS**—control over, 132
- CENTRAL AMERICAN COUNTRIES**—economic cooperation, 133
- CEYLON**—cost of living, 70
- CHARGES, FUND**—28, 191-93
- CHILE**—advance deposits for imports, 70, 112; balance of payments, 111-13; domestic developments, 111-13; exchange system, 58, 112, 138; stabilization program, 20, 21, 112; stand-by arrangement with Fund, 21
- CHINA (TAIWAN)**—exchange system, 141-42; export earnings, 102
- COCOA PRICES**—44
- COFFEE**—exports, 44, 99; prices, 44, 99; stockpiling, 44, 99, 102
- COFFEE EXPORTING COUNTRIES**—agreement among Latin American producers, 44; terms of trade, 99; trade and payments balances, 99-102
- COLOMBIA**—balance of payments, 102; coffee stockpiling, 44, 102; cost of living, 102; exchange system, 58, 102, 139; gold and foreign exchange reserves, 51, 154; gold subsidy program, 149

- COMPETITIVENESS OF INDUSTRIAL COUNTRIES—7, 39
- CONSULTATIONS ON EXCHANGE RESTRICTIONS—29-30
- CONVERTIBILITY OF CURRENCIES—*see* Exchange Convertibility
- COPPER—exports and prices, 45
- COST OF LIVING—percentage changes by countries, 34 (table), 71 (table)
- COSTA RICA—coffee exports, 102
- COTTON—prices, 44
- CREDIT POLICY—3-4, 63-66, 74; *see also* entries under various countries
- CREDIT TRANCHE DRAWINGS—22
- CUBA—balance of payments, 103; credit expansion, 103; gold reserves, 153
- CURRENCY HOLDINGS, FUND—with depositories, 205
- CURRENCY PURCHASES AND REPURCHASES—*see* Fund's Resources
- CYCLICAL FLUCTUATIONS—"built-in stabilizers," 2, 66; developments and policies in recession and recovery, 2-3, 6
- DENMARK—balance of payments, 49, 97; currency repurchase from Fund, 19, 97; exchange restrictions, relaxation of, 142; exports, 41, 49, 97; gold and foreign exchange reserves, 97; industrial production, 33, 97; interest rates, 60, 97; money supply, 66
- DISCOUNT RATES—*see* Interest Rates
- DISCRIMINATORY EXCHANGE PRACTICES—5, 128
- DOMINICAN REPUBLIC—export earnings, 102
- ECONOMIC COMMUNITIES, REGIONAL—132-33
- ECUADOR—bank credit, 70, 103; cost of living, 70; foreign exchange reserves, 103; money supply, 70
- EGYPTIAN REGION, U.A.R.—balance of payments, 108-09; domestic developments, 108; export duties on cotton, 58; exports, 44, 108; gold reserves, 153; money supply, 70, 109
- EMPLOYMENT—in recession and recovery, 36-37; manufacturing, percentage changes by countries, 34 (table)
- ETHIOPIA—payments deficit, 102
- EUROPE, WESTERN—balance of payments, 7, 56-57; bank liquidity, 60; business fluctuations, effects on primary producing countries, 7; economic developments, 3-7, 33-37; exchange rates for "transferable" currencies, 4; external convertibility, adoption of, 1, 3-6, 8, 19, 30, 57, 125-28; gold and foreign exchange reserves, 1, 4, 151, 153; import tariffs, EEC measures, 133; imports from less developed countries, 7; measures to deal with payments disequilibrium, 56-57; money and capital markets, attractiveness to foreign borrowers, 7; sterling holdings, 50; strengthening of economies, 4; terms of trade, 43
- EUROPEAN ECONOMIC COMMUNITY—8, 132-33
- EUROPEAN FREE TRADE AREA—133
- EUROPEAN MONETARY AGREEMENT AND EUROPEAN FUND—5, 127, 128-31
- EUROPEAN PAYMENTS UNION—gold and dollar assets, 129; members' creditor and debtor positions, 129; role of, 130; termination of, 5, 128-31
- EXCHANGE CONVERTIBILITY—adoption of external convertibility by Western European countries, 1, 3-6, 8, 19, 30, 57, 125-28; effect of external convertibility on world trade, 5, 8, 128
- EXCHANGE PRACTICES—developments in 1958, 125-46; discriminatory practices, 5, 128; multiple currency practices, 5, 30, 58; progress toward achievement of Fund's objectives, 3, 5, 30, 125-28
- EXCHANGE RATES—changes in 1958, 134-46; par values, 131, 134-35, 223; "transferable" Western European currencies, 4; *see also* entries under various countries
- EXCHANGE RESERVES—*see* Reserves
- EXCHANGE RESTRICTIONS—adjustment to conditions established by European external convertibility, 1, 5; Fund consultations, 29-30
- EXCHANGE SYSTEMS—and stabilization programs, 72
- EXECUTIVE BOARD—decision on charges, 191-93; membership and voting power, 178-84; report on enlargement of Fund's resources, 13-18; resolutions on increase in Fund's resources, 185-88, 189
- EXPENDITURE, FUND—164, 194-96
- FUJI—gold subsidy program, 149, 150
- FINANCIAL STATEMENTS, FUND—194-222
- FINLAND—balance of payments, 121; discount rate, 60; domestic develop-

- FINLAND—continued**  
 ments, 121; exchange restrictions, relaxation of, 141
- FIRST CREDIT TRANCHE DRAWINGS—22**
- FISCAL POLICY—3, 4, 66-68; see also** entries under various countries
- FOREIGN EXCHANGE RESERVES—see** Reserves
- FRANC AREA—balance of payments, 49, 90-91**
- FRANCE—anti-inflationary measures, 57, 88-89, 92; balance of payments, 47, 48, 89-92; credit policy, 64-65, 89; currency unit, “new,” 134; devaluation of exchange rate, 57, 91; domestic developments, 88-92; EPU position, 129; exports, 42, 91; fiscal policy, 89; foreign investment, relaxation of regulations, 57; gold, acquisition of, 156; gold and gold coins, prices in Paris, 158, 160; gold dishoarding, 49, 89, 157; government loan, 156; import liberalization, 57, 91; imports, 91; industrial production, 33, 89; monetary policy, 61, 89, 92; money supply, 66, 89; par value, establishment of, 57, 131, 154; repatriation of foreign assets, encouragement of, 156; stabilization measures, 49, 57**
- FUND MEMBERS—list and quotas, 169-72; quotas, aggregate, 13; quotas, formula for increases, 15-16; quotas, recommended increases in, 13-18, 185-88, 189; reports on monetary reserves, 29; use of Fund’s resources, 18-28**
- FUND STAFF—164**
- FUND TECHNICAL ASSISTANCE TO MEMBERS—164**
- FUND’S LIQUIDITY POSITION—23**
- FUND’S OBJECTIVES—progress toward, 3, 5, 30, 125-28**
- FUND’S RESOURCES—agreements on expansion, 1; availability of, 5, 14; charges on use of, 28, 191-93; currencies purchased, 24, 25; currency purchases, 11, 18, 19, 21, 24, 26, 27, 100, 109, 123, 190; currency purchases outstanding, 26; currency purchases, use of waiver, 24; currency purchases within gold tranche, first credit tranche, and beyond, 22; currency repurchases, 11, 18, 19, 23, 26, 27, 88, 97, 190; factor in strengthening European economies, 4; gold and U.S. dollar holdings, 11, 14, 15, 23; proposal to increase quotas, 1, 4, 11, 13-18; resolutions of Executive Board, 185-88, 189; revolving character, 23; stand-by arrangements, 11, 19, 20-22, 24, 25; support to stabilization programs, 20; use of, 18-28; use of, by less developed countries, 10, 11, 50, 52, 72**
- GATT—Fund cooperation, 31-32**
- GERMANY, FEDERAL REPUBLIC OF—balance of payments, 47, 50, 93-95; bank liquidity, 3, 60, 94; bank reserve requirements, 63; capital transfers, removal of limitations, 132; credit policy, 63, 64, 94; domestic developments, 93-94; EPU position, 129; exchange convertibility, 127; exports, 42, 93; fiscal policy, 67; Fund quota, recommended increase, 15, 188; gold reserves, 154; gold trade, freeing of, 157; imports, 93; industrial production, 33, 93; interest rates, 3, 50, 60, 94; monetary policy, 61, 94**
- GHANA—export earnings, 103; gold production, 148; par value, 131, 134**
- GOLD—coins, prices of, 160; demand and supply, 52, 54 (table), 151-54; earmarked, 154; holdings, redistribution of, 151-54; markets and prices, 154-60; production, 147-51; production costs, 148; purchases by private citizens, facilities for, 156; reserves, 52, 151-54; sales, 55, 151; sales, relaxation of restrictions on, 156, 157; stocks of EPU, 153; subsidy programs, 149-51; transactions service, Fund’s, 160**
- GOLD HOLDINGS, FUND—52, 154**
- “GOLD TRANCHE” DRAWINGS—22**
- GOVERNORS, BOARD OF—membership and voting power, 169-77**
- GREECE—credit from European Fund, 130; exchange rate, 135; measures to deal with payments disequilibrium, 58**
- GUATEMALA—balance of payments, 51**
- “HAGUE CLUB”—127**
- HAITI—coffee exports, 102; credit policy, 70; stand-by arrangement with Fund, 22**
- HONDURAS—credit policy, 70; stand-by arrangement with Fund, 22**
- HONG KONG—gold price, 159**
- ICELAND—exchange system, 142**
- INCOME, FUND—64, 196, 202**

- INDIA**—balance of payments, 51, 116-18; credit policy, 70, 116; domestic developments, 116-17; gold price in Bombay, 159; gold production, 148; loans from abroad, 117; measures to deal with payments disequilibrium, 58, 116-18; money supply, 70, 116; rupee banknotes, circulation in Persian Gulf area, 160; Second Five Year Plan, 118
- INDONESIA**—advance deposits for imports, 70, 143; balance of payments, 113-14; domestic developments, 113-14; exchange system, 113, 143; import restrictions, 57, 113, 143
- INDUSTRIAL COUNTRIES**—balance of payments, 7; competitiveness, 7, 39; developments and policies in recession and recovery, 2, 35-37; economic developments, effect on tropical foods exporting countries, 43; exports, 40 (table); financial developments and external payments, 75-99; financial developments and policies, 59-68; fiscal policies, 65-68; imports, 40 (table); industrial production, 1; inflation, measures to check, 6; inventory investment, 49; measures to deal with payments disequilibrium, 56-57; monetary policies, 60-66; money supply, 66; price movements, 6, 37; productive capacity, 7; reserve positions, 11; role in assisting less developed countries, 7, 10; terms of trade, 40 (table)
- INDUSTRIAL COUNTRIES OTHER THAN UNITED STATES**—balance of payments, 47-50, 90 (table); economic activity, 2; effects of economic developments in United States, 35; employment, 37; gold and foreign exchange reserves, 2, 53, 90 (table); imports, 39; industrial production, 33, 36, 47; ratio of reserves to imports, 56
- INDUSTRIAL PRODUCTION**—percentage changes by countries, 34 (table); world output, 33; *see also* entries under various countries
- INFLATION**—1, 6, 10, 68, 70, 73
- INTEREST RATES**—3, 60-66; *see also* entries under various countries
- INTERNATIONAL BANKING SYSTEM**—effectiveness of, 5
- INTERNATIONAL ORGANIZATIONS**—Fund cooperation, 31-32
- INTERNATIONAL SUGAR AGREEMENT**—44
- INTERNATIONAL TIN AGREEMENT**—45, 110
- INVESTMENT DEMAND**—decline in, 35
- IRAN**—balance of payments, 115; domestic developments, 115
- IRAQ**—gold reserves, 154; petroleum exports, 115
- IRELAND**—discount rate, 60; par value, 131, 134
- ISRAEL**—bank credit, 70; cost of living, 70; currency repurchase from Fund, 19; exchange system, 143
- ITALY**—balance of payments, 49, 95-96; credit policy, 64; domestic developments, 95-96; EPU position, 129; exchange rate, 135; exports, 42, 95; fiscal policy, 67; gold and gold coins, prices in Milan, 159, 160; gold reserves, 55, 153; imports, 49, 95; industrial production, 33, 95; interest rates, 60, 96; inventory investment, 49
- JAPAN**—balance of payments, 7, 49, 98-99; bank credit, 64; currency repurchase from Fund, 19; domestic developments, 98-99; economic expansion, 36; exports, 42, 98; Fund quota, recommended increase, 15, 188; gold reserves, 154; imports, 49, 98; industrial production, 33, 98; interest rates, 60, 98; monetary policy, 98; shipbuilding industry, loans to, 99
- KUWAIT**—exports, 115
- LATIN AMERICA**—gold holdings, 153; measures to deal with payments disequilibrium, 58; regional market, consideration of, 133
- LEAD**—prices, 65
- LEBANON**—exchange rate, 136; gold and gold coins, prices in Beirut, 159, 160
- LESS DEVELOPED COUNTRIES**—aid from abroad, 9, 51-52, 72; aid from Fund, 10, 11, 50, 52, 72; balance of payments, 1, 50; cooperation with Fund, 10; cost of living, 68; earning capacity, 1; economic policies, 9, 68-74; exchange rates, depreciation of, 50; exports, 39, 43, 50; financial developments and policies, 68-74; financing of payments deficit, 52; foreign exchange reserves, 39, 50, 54; government resources, 69; import restrictions, 50; imports, 39, 48, 50;

- LESS DEVELOPED COUNTRIES**—*continued*  
inflation, 1, 10, 68, 70, 73; inflow of capital and grants, 51; loans from International Bank for Reconstruction and Development, 52; measures to deal with payments disequilibrium, 57-58; monetary policy, 70; money supply, 68; prices, 1, 9, 42, 69; ratio of reserves to imports, 56; stabilization programs, 1-2, 20, 70-74; terms of trade, 9, 43, 48, 69
- LIBERALIZATION MEASURES**—6, 133
- LIBYA**—Fund membership, 13
- LIQUIDITY, FUND**—23
- LIVESTOCK PRODUCTS**—prices, 44
- LIVESTOCK PRODUCTS, EXPORTING COUNTRIES**—domestic developments and external payments, 104-08
- LONDON GOLD MARKET**—155, 157
- LUXEMBOURG**—*see* Belgium -Luxembourg
- MALAYA, FEDERATION OF**—balance of payments, 113; development program, 113; foreign exchange reserves, 113; loans from abroad, 113
- MANUFACTURING COUNTRIES**—*see* Industrial Countries
- MEMBERS, FUND**—*see* Fund Members
- METALS EXPORTING COUNTRIES**—balance of payments, 51; domestic developments and external payments, 110-14
- MEXICO**—balance of payments, 122-23; credit policy, 70, 122; domestic developments, 122-23; fiscal policy, 123; gold production, 148; gold reserves, 153; money supply, 122; stabilization program, 20, 21; stand-by arrangement with Fund, 21
- MONETARY POLICY**—3, 4, 36, 60-66; *see also* entries under various countries
- MONETARY RESERVE REPORTS**—submission by Fund members, 29
- MONETARY STABILITY**—importance of, 74
- MONEY SUPPLY**—changes in 1958, 66; percentage changes by countries, 65 (table), 71 (table); *see also* entries under various countries
- MULTILATERAL PAYMENTS SYSTEM**—progress toward, 3, 125-28
- MULTIPLE CURRENCY PRACTICES**—5, 30, 58
- NETHERLANDS**—balance of payments, 49; bank liquidity, 60; bank reserve requirements, 60; credit policy, 64; currency repurchase from Fund, 19; discount rate, 60; EPU position, 129; exports, 41, 49; fiscal policy, 67; gold and foreign exchange reserves, 54, 154; imports, 49; industrial production, 33; monetary policy, 60, 61; money supply, 66
- NEW ZEALAND**—balance of payments, 51, 107-08; bank credit, 64; bank reserve requirements, 64, 108; borrowing from abroad, 108; measures to deal with payments disequilibrium, 57, 108; money supply, 66, 108
- NICARAGUA**—currency repurchase from Fund, 19; exchange system, 58, 144; money supply, 70; stand-by arrangement with Fund, 22
- NORWAY**—balance of payments, 97; credit policy, 64, 65; fiscal policy, 67; gold and foreign exchange reserves, 97; industrial production, 33
- OIL PRODUCING COUNTRIES**—balance of payments, 114-15
- OEEC**—Fund cooperation, 31
- OEEC COUNTRIES**—*see* Europe, Western
- PAKISTAN**—balance of payments, 110; cost of living, 70; exchange control, 110; foreign exchange reserves, 110; interest rates, 70, 110; monetary and fiscal policies, 110; money supply, 70
- PAR VALUES**—131, 134-35, 223
- PARAGUAY**—advance deposits for imports, 70; cost of living, 70; exchange system, 139; payments arrangement with Argentina, 140
- "PARIS CLUB"**—132
- PAYMENTS DISEQUILIBRIUM**—measures to deal with, 56-58
- PERU**—balance of payments, 51; exchange system, 58, 137-38; export duties on cotton, 58; gold and foreign exchange reserves, 51, 153; measures to deal with payments disequilibrium, 58
- PETROLEUM**—exports and prices, 46, 114-16
- PHILIPPINES**—balance of payments, 104; discount rate, 70, 104; Fund quota, increase in, 13; gold production, 148; monetary and fiscal policies, 70, 104
- PORTUGAL**—gold reserves, 154
- PRICES**—prices and wage negotiations, 36; primary products, 1, 9, 42, 69; relationship between prices and demand, 36



- PRIMARY PRODUCING COUNTRIES**—*see* Less Developed Countries
- PRODUCTION, INDUSTRIAL**—*see* Industrial Production
- PUBLICATIONS, FUND**—163
- PURCHASES OF CURRENCY**—*see* Fund's Resources
- QUOTAS OF FUND MEMBERS**—*see* Fund Members
- RECESSION AND RECOVERY**—1-12, 33-37
- REFLATIONARY POLICY**—effects of, 59
- REGIONAL ECONOMIC COMMUNITIES**—132-33
- REPURCHASES OF CURRENCY**—*see* Fund's Resources
- RESERVES, GOLD**—52, 151-54
- RESERVES, GOLD AND FOREIGN EXCHANGE**—changes in recent years, 52-56; ratio of reserves to imports, 56; *see also* entries under various countries
- RHODESIA, SOUTHERN**—gold production, 148
- RICE**—prices, 45
- RUBBER**—exports and prices, 45
- RUBBER EXPORTING COUNTRIES**—balance of payments, 51, 113-14
- SAUDI ARABIA**—balance of payments, 115; economic program, 115-16
- SCANDINAVIAN COUNTRIES**—monetary policy, 61
- SPAIN**—Fund membership, 13; gold reserves, 153
- STABILIZATION PROGRAMS**—and exchange systems, 72; of less developed countries, 1-2, 70-74; support from Fund and other sources, 20, 72
- STAFF, FUND**—164
- STAND-BY ARRANGEMENTS**—*see* Fund's Resources
- STERLING AREA, OVERSEAS**—balance of payments, 87-88; capital inflow from United Kingdom, 51
- SUDAN**—balance of payments, 109; currency purchase from Fund, 109; domestic developments, 109; export duties on cotton, 58; exports, 44, 109; foreign exchange reserves, 109; par value, 131, 134
- SUGAR**—prices, 44, 103
- SUGAR EXPORTING COUNTRIES**—export earnings, 102
- SURPLUS COMMODITIES**—11, 80
- SWEDEN**—bank credit, 64, 66; discount rate, 60; exports, 42; fiscal policy, 68; gold reserves, 153; industrial production, 33; money supply, 66
- SWITZERLAND**—balance of payments, 49; bank credit, 64; bank reserve requirements, 63; discount rate, 60; exports, 42; gold and foreign exchange reserves, 54, 154; gold price in Zürich, 158; imports, 49; monetary policy, 61
- SYRIAN REGION, U.A.R.**—exchange rate, 136
- TECHNICAL ASSISTANCE, FUND**—164
- TERMS OF TRADE**—percentage changes by countries, 40 (table)
- THAILAND**—exchange rate, 135; exports, 45; foreign exchange reserves, 51
- TIN**—exports and prices, 45
- TOBACCO**—exports and prices, 45
- TRADE, WORLD**—*see* World Trade
- TRAINING PROGRAM, FUND**—162
- TROPICAL FOODS EXPORTING COUNTRIES**—domestic developments and external payments, 99-104; effect of economic developments in industrial countries, 43
- TURKEY**—advance deposits for imports, 145; balance of payments, 51; credit from European Fund, 130; credit policy, 70; currency purchase from Fund, 21; domestic developments, 109; exchange system, 58, 144; money supply, 70; stabilization program, 20, 21, 109
- UNDERDEVELOPED COUNTRIES**—*see* Less Developed Countries
- UNION OF SOUTH AFRICA**—balance of payments, 123; bank credit, 64, 123; bank reserve requirements, 63, 123, 124; currency purchase from Fund, 123; domestic developments, 123-24; gold bars, sale of, 157; gold mining costs and profits, 148; gold production, 124, 147; interest rates, 60, 123, 124; measures to deal with payments disequilibrium, 58, 123; money supply, 66, 124; uranium production and profits, 149
- U.S.S.R.**—gold sales, 151; purchases of rubber and tin, 45
- UNITED ARAB REPUBLIC**—Fund membership, 13; *see also* Egyptian Region; Syrian Region

- UNITED KINGDOM**—balance of payments, 48, 49, 85-88; capital outflow to sterling area, 51; credit policy, 64, 65; currency repurchase from Fund, 19, 88; disinflationary policies, 83; domestic developments, 83-84; EPU position, 129; exports, 42, 49, 85; fiscal policy, 67, 84; gold and foreign exchange reserves, 54, 55, 56, 153; gold sales, relaxation of restrictions on, 156; imports, 49, 85; industrial production, 33, 83; interest rates, 50, 60, 61, 84; London gold market, 155, 157; monetary policy, 60, 61, 84; money supply, 84; terms of trade, 49
- UNITED NATIONS**—Fund cooperation, 32
- UNITED STATES**—agricultural surpluses, 80; balance of payments, 2, 7, 46, 47, 55, 78-83; bank credit, 64, 66, 73; bank reserve requirements, 63, 77; capital movements, 47, 81, 82; competitive position, 7, 39; domestic developments, 75-78; economic developments, effect on other countries, 2, 8, 35; economic developments in recession and recovery, 2-3, 33-37, 75-83; employment, 37, 75; exports, 35, 38, 47, 81; fiscal policy, 67, 77; gold and dollar transfers, 46, 78, 154; gold price, 155; gold reserves, 3, 56, 152, 153, 154; government payments abroad, 6; imports, 7, 35, 39, 46, 80; industrial production, 33, 36, 75; interest rates, 3, 7, 60, 62, 63, 77, 78; investment abroad, 41; lead import quotas, 45; liquidity, increase in, 3; loans and grants abroad, 80; monetary policy, 3, 60, 62, 77-78; money supply, 62, 77; petroleum imports, 46; price changes, 76; ratio of reserves to imports, 56; zinc import quotas, 45
- URANIUM PRODUCTION**—149
- URUGUAY**—balance of payments, 51; exchange system, 58, 145
- VELOCITY OF MONEY**—65, 66 (table)
- VENEZUELA**—balance of payments, 114-15; capital movements, 51, 114; domestic developments, 114-15; exports, 46, 114; gold reserves, 153
- WAGES**—wage negotiations and prices, 36
- WHEAT**—exports and prices, 45
- WOOL**—prices, 44
- WORLD PAYMENTS SITUATION**—*see* Balance of Payments
- WORLD TRADE**—competitiveness of industrial countries, 7, 39; effect of external convertibility, 5, 8, 128; main trends, 37-42
- YUGOSLAVIA**—exchange system, 146
- ZINC**—prices, 45

