INTERNATIONAL MONETARY FUND SUPPLEMENTAL HEARINGS, TREASURY-POST OFFICE DEPARTMENTS AND EXECUTIVE OFFICE APPROPRIATIONS FOR 1966

HEARINGS

BEFORE THE

COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 7060

MAKING APPROPRIATIONS FOR THE TREASURY AND POST OFFICE DEPARTMENTS, THE EXECUTIVE OFFICE OF THE PRESIDENT, AND CERTAIN INDEPENDENT AGENCIES FOR THE FISCAL YEAR ENDING JUNE 30, 1966, AND FOR OTHER PURPOSES

Printed for the use of the Committee on Appropriations

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INTERNATIONAL MONETARY FUND SUPPLEMENTAL HEARINGS FOR TREASURY, POST OFFICE, AND EXECUTIVE OFFICE APPROPRIATION BILL FOR 1966

THURSDAY, JUNE 3, 1965

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The committee met at 10 a.m., pursuant to call, in room 1223, New Senate Office Building, Hon. Carl Hayden (chairman) presiding.

Present: Chairman Hayden and Senators Ellender, Robertson, Holland, Byrd, Bartlett, Saltonstall, and Allott.

INTERNATIONAL MONETARY FUND

STATEMENT OF FREDERICK L. DEMING, UNDER SECRETARY FOR MONETARY AFFAIRS, DEPARTMENT OF THE TREASURY; ACCOMPANIED BY WILLIAM B. DALE, U.S. EXECUTIVE DIRECTOR, INTERNATIONAL MONETARY FUND

U.S. QUOTA INCREASE

Chairman HAYDEN. The committee will come to order.

This morning the committee will hear first from the Under Secretary of the Treasury for Monetary Affairs on a proposed supplemental appropriation for the fiscal year 1965, in the amount of $1,035 million in order to increase the U.S. quota to the International Monetary Fund.

This is contained in Senate Document 31.

(The document referred to follows:)

[S. Doc. No. 31, 89th Cong., 1st sess.]

COMMUNICATION FROM THE PRESIDENT OF THE UNITED STATES TRANSMITTING A PROPOSED SUPPLEMENTAL APPROPRIATION FOR THE FISCAL YEAR 1965, IN THE AMOUNT OF $1,035,000,000, IN ORDER TO INCREASE THE UNITED STATES QUOTA TO THE INTERNATIONAL MONETARY FUND

THE WHITE HOUSE,
Washington, June 1, 1965.

The PRESIDENT OF THE SENATE.

SIR: I have the honor to transmit herewith for the consideration of the Congress a proposed supplemental appropriation for the fiscal year 1965 in the amount of $1,035,000,000 in order to increase the U.S. quota to the International Monetary Fund.

The details of this proposed appropriation, the necessity therefor, and the reasons for its submission at this time are set forth in the attached letter from the Director of the Bureau of the Budget, with whose comments and observations thereon I concur.

Respectfully yours,

LYNDON B. JOHNSON.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., May 27, 1965.

THE PRESIDENT,
The White House.

SIR: I have the honor to submit herewith for your consideration a proposed supplemental appropriation for the fiscal year 1965 in the amount of $1,035,000,000 in order to increase the U.S. quota in the International Monetary Fund, as follows:

FUNDS APPROPRIATED TO THE PRESIDENT

Increase in Quota, International Monetary Fund

To finance an increase in the quota of the United States in the International Monetary Fund, $1,035,000,000 to be available from June —, 1965, and to remain available until expended.

To assure continued ability of the International Monetary Fund to provide needed international credit, the member nations voted to increase by 25 percent the quotas of all members. The increase in the U.S. quota has just been authorized by the Congress in H.R. 6497, now awaiting Presidential approval. Appropriation of the authorized quota increase as promptly as possible is highly desirable to provide early strengthening of the Fund and to encourage similar prompt action on the part of other members.

The amount requested herein, when added to the amounts previously requested, will not increase the total for the fiscal year 1965 as shown in the 1966 budget.

I recommend that the foregoing supplemental appropriation be transmitted to the Congress.

Respectfully yours,

KERMIT GORDON,
Director of the Bureau of the Budget.

Chairman HAYDEN. You may proceed, Mr. Deming.

You may proceed, Mr. Deming.

Mr. DEMING. Mr. Chairman and committee members, I am glad to appear before the committee today in support of an appropriation to enable the United States, in cooperation with the other members of the International Monetary Fund, to take part in a broad international program for expanding the resources of the Fund by 25 percent plus larger increases for 16 countries.

I have with me today Mr. William B. Dale, U.S. Executive Director of the Fund, who will be able to answer any questions of detail you may have on the Fund's operations.

AUTHORIZATION LEGISLATION ENACTMENT

Legislation amending the Bretton Woods Agreements Act of 1945 to authorize a 25-percent increase, amounting to $1.035 million, in the quota of the United States in the Fund was passed by the Senate by unanimous consent and in the House by a vote of 301 to 88. Public Law 89–31, which also authorizes the appropriation of the U.S. quota increase, was signed yesterday by the President.

As President Johnson pointed out in submitting this legislation to the Congress, the International Monetary Fund has played a key role in the flourishing economic growth experienced by the free world in the last two decades, and an expansion of the Fund's resources is now needed if it is to continue to contribute effectively to free world growth in the future.

Envisioning of Need for Increase by Fund Framers

The framers of the International Monetary Fund foresaw the probable need for periodic increases in Fund quotas to keep pace with the expansion in world economic activity. While the Articles of Agreement permit review of the adequacy of quotas at any time, they provide that quotas must be reviewed every 5 years.

The present proposals for enlarging quotas result from the fourth quinquennial review. While individual quotas have been changed from time to time on the request of particular members and approval by the Governors of the Fund, the only previous general increase occurred in the period 1958–59. At that time, there was a general increase in quotas of 50 percent for all members and special quota increases were requested and accepted by Germany, Canada, Japan and certain other countries.

INCREASED WORLD TRADE

Since 1958, world trade has increased by more than 50 percent. Aggregate world imports, for example, were about $101 billion in 1958 and about $156 billion in 1964. No comparable single figure is available to measure world capital movements, but these have undoubtedly increased by a substantially greater percentage since the restoration of de facto convertibility in Western Europe at the end of 1958. Both short-term and long-term capital movements have increased greatly. Some of these are equilibrating in nature. Others tend to widen rather than narrow balance-of-payments disequilibria.

GREATER USE OF FUND RESOURCES BY LARGER MEMBER COUNTRIES

The same period has seen greater use of the Fund's resources by the larger member countries. Canada, Italy, Japan, the United Kingdom and the United States have either drawn on Fund resources or entered into standby arrangements with the Fund, or both.

In the most recent 10-year period, net drawings outstanding at the end of the year have varied from a low of $234 million in 1955 to a high of $2,621 million at the end of 1964. The latter figure is unusually high because it includes nearly $1 billion of net drawings by the United Kingdom, reflecting a large drawing by that country in December 1964. The United Kingdom has also drawn $1.4 billion in May of this year.

DECLINE OF MAJOR CURRENCY HOLDINGS OTHER THAN DOLLARS AND STERLING

As a result of the increased use of the Fund, its holdings of major currencies other than dollars and sterling have declined by about $1.6 billion since 1959 and now amount to about $1.5 billion.

These facts clearly indicate the need for an increase in the Fund's resources at this time. This need was unanimously recognized by the Governors of the Fund at their meeting in Toyko last September.

BOARD OF GOVERNORS RESOLUTIONS PROPOSING INCREASED MEMBER QUOTAS

Acting on instructions from the Board of Governors, the Executive Directors submitted to the Governors two resolutions: the first proposes that all member countries accept a 25-percent increase in quota; the second proposes that 16 of the members accept, in addition to the 25-percent increase, special increases which in the aggregate amount to $870 million.

On April 1, 1965, the Fund announced that these resolutions were adopted by the required 80 percent of the total voting power of the Board of Governors. Former Secretary of the Treasury Dillon, in accordance with the directive of the National Advisory Council, cast the vote of the United States in favor of the two resolutions.

U.S. Quota

The combined total of general and special increases recommended amounts to nearly $5 billion, and acceptance of the recommendation by all members would increase the total of Fund quotas from a little more than $16 billion to approximately $21 billion. The U.S. share of this total increase would be slightly over one-fifth, and our quota would become $5,160 million, as compared to its present $4,125 million.

If all members countries accept the quota increases suggested for them, Fund holdings of the currencies presently used extensively in drawings will be increased by more than $1 billion and the liquidity of the Fund will be substantially improved. In addition, Fund holdings of gold will also be increased by approximately $1 billion.

Requirement for Percentage of Increases to Be Paid in Gold

Senator Saltonstall. May I interrupt you there? Why will the Fund holdings of gold automatically be increased by approximately $1 billion?

Mr. Deming. Because 25 percent of the increases have to be paid in gold.

Senator Ellender. How much of the special accounts are included in the $1,035 million?

Mr. Deming. In the special accounts?

Senator Ellender. You said there was a special increase.

Mr. Deming. Of the $870 million, none of that. Those special increases are for 16 countries that do not include the United States.

Total Increases of Other Countries

Senator Ellender. To what extent are the other countries contributing?

Mr. Deming. Approximately $4 billion.

The total increases are about $5 billion. The United States is about $1 billion, so the other countries will be increasing their quotas about a little less than $4 billion.

Assertion That Fund Is Not Tantamount to Foreign Aid Challenged

Senator Ellender. Would you consider that part of their foreign aid program?

Mr. Deming. No, sir.

Senator Ellender. Why not?

Mr. DEMING. Because this is not a foreign aid program. This is one of the distinctions I want to draw.

Senator ELLENDER. I wish you would, because in my judgment this is foreign aid. We are here being asked to increase our ante to assist underdeveloped countries and some we have assisted already.

Mr. DEMING. Senator, the International Monetary Fund is an international body whose primary purpose is the extension of relatively short-term credits. It gives short- to intermediate-term credit to countries who are experiencing temporary balance-of-payments difficulties. It is not an aid program.

Senator ELLENDER. What would happen if we did not do it? Suppose we did not have this Fund. What would happen?

Mr. DEMING. If we did not have the Fund at all?

Senator ELLENDER. Yes.

Mr. DEMING. Then we would have to find other ways to attempt to finance adjustments to payments imbalances.

Senator ELLENDER. That would be foreign aid, wouldn't it?

Mr. DEMING. No, sir.

Senator ELLENDER. It would be contributions we would have to make to increase the capability of our friends, to enhance their economic stability, wouldn't it?

Mr. DEMING. No, sir.

Senator ELLENDER. I won't argue then. Go ahead.

UNITED STATES USE OF FUND TO RETAIN GOLD

Senator SALTONSTALL. May I say, I have great respect for my colleague from Louisiana, but isn't it true this Fund helped us to keep our gold from going abroad recently when we were very low on our balances? It is my understanding that we procured dollar balances from England and Germany—France was drawing it back—to protect our gold from going abroad.

Mr. DEMING. That is generally right, the Fund has helped us to avoid gold losses.

Senator SALTONSTALL. So that was not a question of foreign aid, but a question of international monetary exigency.

Mr. DEMING. I would rather phrase it in terms of international monetary cooperation, and the financing of imbalances which go both ways; that is, the financing of either surpluses or deficits.

U.S. DRAWINGS

Senator SALTONSTALL. How many times have we drawn on the Fund?

Mr. DEMING. Five times. Our net drawing on the Fund at the present time is about $120 million, and our peak was $350 million gross amount.

Senator SALTONSTALL. The whole purpose of the International Monetary Fund is to assist the various countries whose currencies are not in balance so no country suffers. What do you call it— out of balances? Isn't that the whole purpose?

Mr. DEMING. The purpose is to permit orderly adjustment of imbalances in international payments.

Senator SALTONSTALL. The increase is because of increased trade and the necessity of having more funds in the International Monetary Fund so that it can be moved both ways.

Mr. DEMING. That is right. Drawings of dollars by other countries have had the effect of repaying part of the U.S. drawings. This is why our net drawings amount to $120 million. All countries must repay their drawings from the Fund either directly or through drawings of their currency by other members. There are various countries at any given point in time that have in a sense borrowed from the Fund by using their currencies to purchase other currencies. The International Monetary Fund has experienced no losses whatsoever on the credits they have extended in the course of its history.

Now any given country, at any given point in time, may be a net purchaser of other countries' currencies from the Fund through the use of its own currency. But these loans are made for—these extension of credit are made for a definite period of time—3 to 5 years. To the best of my knowledge, they are current and have been repaid.

CUBA ONLY DEFAULT

Mr. DALE. We have had only one temporary default, only one.

Senator ELLENDER. How much was that?

Mr. DALE. That was in an amount of $25 million which Cuba had outstanding, which was drawn a short time before the change in government in Cuba. Then Cuba voluntarily withdrew from membership April 2, 1964, and made a proposal for repayment of the outstanding amount to the Fund.

That proposal was accepted, and it is being honored in terms of payments by Cuba.

FUND METHOD OF OPERATION

Senator ELLENDER. To what extent has the Fund been increased since its inception?

Mr. DEMING. I do not have the figure.

Senator ELLENDER. Put that in the record for us. I would like to also know if those currencies have depreciated.

(The information referred to follows:)

Total, International Monetary Fund quotas during various years

1945	7,154	1959	13,958
1953	8,738	April 1965	15,993
1958	9,193		

The increase in quotas from 1958 through 1959 was due to a general increase of 50 percent plus special increases for other countries. Increases in quotas in other years are due to two factors: (1) expansion of membership in the Fund and (2) individual increases in quotas requested by members.

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MAINTENANCE GOLD VALUE GUARANTEE

Mr. DEMING. There is a maintenance of gold value guarantee of the currencies that go in the Fund. If they drop, more has to be put in. Thus, there has not been any depreciation in the value of the Fund assets.

Senator ELLENDER. Suppose the Fund were dissolved overnight. How much of the money we put in would we get back?

Mr. DEMING. All of it.

Senator ELLENDER. Would you be able to pay everybody?

Mr. DEMING. Yes, but the liquidation payments would have to take account of countries debts to the Fund. For example, the British have just drawn on $1,400 million from the Fund, which means they have put in sterling to the amount of $1,400 million, and have taken out various other currencies equivalent to this. There is a liability on the part of the British to pay this back in a course of time.

Senator ELLENDER. In what period of time must the British repay what was recently withdrawn?

Mr. DEMING. Three to five years.

MAINTENANCE OF ENGLISH STERLING STABILITY THROUGH FUND USAGE

Senator SALTONSTALL. Isn't it true, Mr. Deming, that this Fund, and the use of it by the English, saved the English pound from a crisis and that the whole value of keeping the English pound where it is today is to make it possible for our dollars to stay where they are today?

If the English pound goes, we go too. Now, a question concerning what the Senator from Louisiana said: Isn't it also true, from what Mr. William McChesney Martin said the other night, that the amount of currency in the United States and demands for an increased amount of currency, has been great recently with the increased prosperity of our country, so that there are now more dollars in circulation today than when this Fund was created.

If there are more dollars in circulation, there are more dollars going abroad, and what this Fund tries to do is to keep us from sacrificing our gold balances. What we have asked Germany and England to do is put up dollars to help us to keep from having our gold going abroad when we are in a crisis. Is that not correct?

Mr. DEMING. Yes, sir; the Fund has assisted us in avoiding gold losses.

Senator SALTONSTALL. And that is the purpose of the Fund?

FUND PURPOSE TO AID BALANCE-OF-PAYMENTS IMBALANCES

Mr. DEMING. The purpose of the Fund is to permit countries that have temporary imbalances in the balance of payment to make orderly adjustments.

Senator SALTONSTALL. Germany has enormous overbalances. She has more dollars than she knows what to do with, and she could help us from keeping our gold from going abroad into France. Isn't that correct?

Mr. DEMING. That is correct.

Senator ELLENDER. But our gold reserves have been going down and down and down from $22.5 billion just a few years ago to now it is $14 billion plus.

Senator SALTONSTALL. But that is due to other causes.

Senator ELLENDER. Why don't we stop it with the Fund, if that is its purpose?

Senator SALTONSTALL. I wish we could.

Senator ELLENDER. I wish so too.

Mr. DEMING. I cover some of that, Senator, later in my statement.

The proposed quota increases by country are shown in detail in the Special Report of the National Advisory Council on International Monetary and Financial Problems. Attached to that report as an appendix is the report of the Executive Directors of the Fund to the Board of Governors entitled "Increases in Quotas of Fund Members: Fourth Quinquennial Review."

MEMBER CONSENT TO QUOTAS AND OTHER REQUIREMENTS

Now that the Board of Governors has adopted the resolutions submitted by the Executive Directors, two further requirements have to be met. Each member must consent to the increase in its own quota. Moreover, before any of the quota increases may become effective, countries whose quotas on February 26, 1965, aggregated two-thirds of the total fund quotas must consent to the increase in their quotas and make payment to the Fund.

Payments received by the Fund will be placed in a segregated account until the two-thirds total is reached. Consents to the increase must be given before September 25, 1965, unless the Executive Directors extend the time for action.

Public Law 89–31, the authorizing legislation, provides for the appropriation of $1,035 million to remain available until expended. Except for the gold portion of the increased subscription, I have every reason to believe as I shall presently explain that, like our participation in the general arrangements to borrow, no calls for actual expenditures will be made for the foreseeable future.

REQUIREMENT FOR GOLD PERCENTAGE TO BE PAID AT TIME OF QUOTA ACCEPTANCE

The articles of agreement of the Fund provide that 25 percent of any quota increase must normally be paid to the Fund in gold; 25 percent of the proposed U.S. increase of $1,035 million amounts to $258.75 million and this amount must be paid at the time the United States accepts the quota increase.

AUTOMATIC GOLD DRAWING RIGHT ON FUND

In exchange for this payment, the United States will receive a "gold tranche" drawing right on the Fund. This is a virtually automatic drawing right and represents a reserve asset which the United States can call upon at any time. Thus this payment will not result in any change in our international reserve position and consequently will have no effect on our balance of payments.

Senator ELLENDER. Will the support be in that amount until we get it back?

Mr. DEMING. We exchange one form of assets for another.

Senator ELLENDER. What becomes of that $258 million? Doesn't it leave Fort Knox and go somewhere else?

Mr. DEMING. It actually moves from one box in the Federal Reserve Bank of New York to another box in that bank. And we obtain in return virtually automatic drawing rights on the Fund, which is another form of reserve asset.

TREASURY GOLD STOCK REDUCTION OFFSET BY GOLD DRAWING RIGHT

Senator ELLENDER. But it does affect our gold balances.

Mr. DEMING. This will reduce our Treasury gold stock by this amount, and it will be offset by a gold tranche drawing right.

Senator ELLENDER. But in the meantime our gold reserve would be reduced by that amount.

Mr. DEMING. By this amount, surely.

LETTER OF CREDIT ISSUED FOR BALANCE OF PAYMENT

The remaining portion of the appropriation—$776.25 million—will permit the United States to issue to the International Monetary Fund a letter of credit in that amount on which the Fund may draw at such time as it may require additional dollar funds to meet drawings of other members. Drawings against this $776 million portion are not likely to occur in the foreseeable future.

Senator SALTONSTALL. Until these other countries put up?

Mr. DEMING. That is right, and would not occur at that time since the supply of dollars in the Fund is already a substantial amount. This is a liability of the United States, but one that is unlikely to be called on for any foreseeable future.

Senator SALTONSTALL. You have this gold tranche that has to be replaced in due course. If you draw on this gold tranche, this has to be replaced?

Mr. DEMING. Yes. If we would draw on it, we would have to pay it back.

Senator SALTONSTALL. In gold?

Mr. DEMING. The gold tranche is just a name for it. We would be drawing in other countries' currencies and would be paying in other countries' currencies. If we could not repay in other countries' currencies, we would repay in gold.

Experience Re U.S. Participation in General Arrangements To Borrow (GAB)

It is interesting to note that this committee considered and approved the appropriation of $2 billion for U.S. participation in the general arrangements to borrow (GAB). At the hearings on the appropriation former Secretary Dillon assured this committee that "in practice we do not expect to have to use this authority in the foreseeable future."

Although the GAB has proved to be extremely useful and appropriation of the whole $2 billion was essential to U.S. participation, in fact, no expenditures have been made pursuant to this appropriation.

Fund Method of Operation

This committee should also note that although the Fund used dollars extensively in the past, when we were in a strong balance-of-payments position, all of these dollars have come back to it and, in effect, back to the United States. Thus, while the Fund has been of great benefit to the world and to the United States, over the entire period of its operations, our participation in the Fund has not cost us, net, any dollars at all in our international accounts.

Dollars lent by the Fund in earlier years have been repaid to it and the Fund now holds U.S. dollars in the amount of about $3,215 million. These are held almost entirely in the form of non-interest-bearing notes.

As long as the United States continues to have a balance-of-payments deficit, Fund policy will limit drawings in dollars. And, in any event, the Fund's existing holdings of dollars will be used to meet the needs of any future drawings before calls will be made on the new letter of credit.

Because no dollar expenditure is foreseen, this portion of the appropriation will also have no adverse effect on our balance of payments.

Technique of Providing Funds Through Letters of Credit

As the committee is aware, the U.S. Government has shifted increasingly to the provision of funds through a letter of credit technique. This amounts to an unconditional obligation to provide funds as they are actually needed.

This technique is now in general use, both in our domestic programs and in our dealings with international institutions. It was designed to obviate expenditures prior to the time when funds are actually needed. In the past, the technique in dealing with international institutions was somewhat different. Payments were made to the institution and excess funds were returned to the U.S. Government in exchange for non-interest-bearing notes.

I should like to say a word at this point about the nature of the Fund itself.

Senator Saltonstall. Isn't that the same principle as bank clearances in a city?

Mr. Deming. The letter of credit?

Senator Saltonstall. Yes.

Mr. Deming. The technique?

Senator SALTONSTALL. Yes. Isn't that the same?

Mr. DEMING. Not precisely. We use it in domestic affairs for making expenditures until the funds are actually used. It is used in connection with certain payments of the school lunch programs and certain university grants and things such as that where the U.S. Government would extend a grant to, for example, the Massachusetts Institute of Technology, for a particular project, let us say, that it is performing for the Government.

Instead of giving MIT an entire million dollars, it would give the institute a letter of credit on which it would draw as the funds become employed.

Senator SALTONSTALL. I had in mind our dealings with the international institution.

Mr. DEMING. It would work exactly the same way.

Senator SALTONSTALL. Thank you.

CORRECTION OF EXCHANGE RESTRICTIONS, DEPRECIATION, AND INSTABILITY

Mr. DEMING. I should like to say a word at this point about the nature of the Fund itself. The International Monetary Fund was established following negotiations at the Bretton Woods Conference of 1944.

The Fund has worked continuously for the elimination of exchange restrictions, the avoidance of competitive exchange depreciation, and the promotion of exchange stability. When member countries draw needed currencies from the Fund they do so to provide financing for their position while corrective measures are being taken to eliminate a temporary balance-of-payments situation. Any drawing must be repaid within a 3- to 5-year period.

The point I wish to make is that the International Monetary Fund should not be confused with institutions whose primary purpose is the making of long-term loans. Even less should it be confused with bilateral or multilateral aid programs under which long-term assistance is provided, frequently on very generous credit terms.

When a country draws a needed currency from the Fund, moreover, it transfers to the Fund an equivalent amount of its own currency. Accordingly, the assets of the Fund are not reduced when it provides temporary assistance to a member country. The composition of those assets is, however, changed, depending upon the gold and currency composition of the drawings and repayments which have taken place.

In 18 years of Fund operations through the end of 1964, member countries have drawn over $9 billion in dollars or other currencies. These drawings have been, or are being, repaid in accordance with agreed schedules.

EARLY DRAWINGS ON FUND PREDOMINANTLY IN DOLLARS

Prior to 1960, drawings from the Fund were predominantly taken in the form of dollars and the United States established a strong creditor position in relation to the Fund. By the end of 1957, gross drawings of dollars had amounted to nearly $2.7 billion.

The Fund had purchased additional dollars from the United States by selling us nearly $600 million worth of gold. At that time, IMF holdings of dollars represented no more than 28 percent of the U.S. quota.

INCREASED DOLLAR HOLDINGS THROUGH POLICY REVERSAL

Following the return to de facto convertibility of the currencies of Western Europe at the end of 1958, the Fund began increasingly to provide currencies other than the dollar to countries seeking temporary financing. This practice was intensified as the balance-of-payments position of the United States moved into substantial deficit.

Repayments in dollars, however, continued to be large, with the result that in the period from the end of 1957 to the end of 1962 the Fund's holdings of dollars increased by more than $1 billion. In this way the normal operations of the Fund absorbed more than $1 billion from the reserves of other countries, thus easing our international financing problems and obviating possible drains upon the U.S. gold stock.

By the end of 1963, Fund holdings of dollars had been restored to 75 percent of the U.S. quota. At that point the United States was neither a creditor nor a debtor vis-a-vis the institution.

UNITED STATES DRAWINGS AND USE OF GERMAN MARKS AND FRENCH FRANCS

As I have noted, over the past 15 months the United States has itself, for the first time, made modest drawings from the Fund. We have drawn primarily in German marks and French francs and we have sold the currencies we have drawn, against dollars, to countries wishing to make repayments to the Fund.

These countries could not use their dollar holdings directly for this purpose since the Fund does not accept in repayment currencies which it holds in excess of 75 percent of quota. For the Fund to accept such currencies—in this instance dollars—would mean that the United States would be placed in a debtor position vis-a-vis the Fund without any initiative on our part. This would be inconsistent with the Fund's method of operation.

Attached to this statement is a chart which shows graphically the developments of the U.S. position in the Fund which I have just described.

Senator ELLENDER. In these transactions that we undertook, to save the dollar by using German marks and French francs, did we sustain any loss of any kind?

Mr. DEMING. No, sir.

Senator ELLENDER. By depreciation?

Mr. DEMING. No, sir.

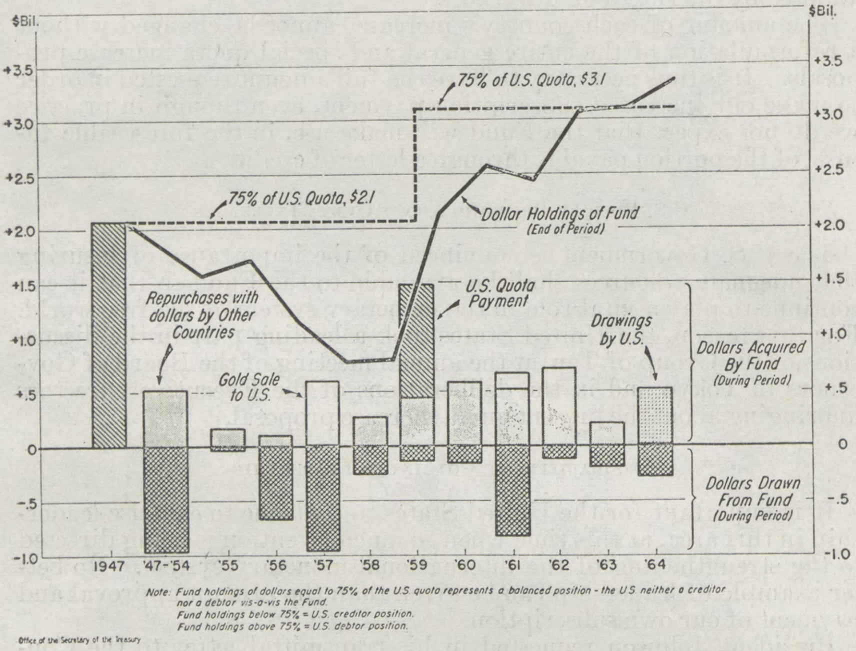
Senator ELLENDER. None at all?

Mr. DEMING. No, sir; none at all. What we did was draw these currencies from the Fund, sell them to the countries that were making repayments to the Fund against dollars, so that we picked up dollars. They used the currencies to repay the Monetary Fund for their drawings.

Our current net drawings of approximately $120 million have, of course, also had the effect of reducing U.S.-dollar liabilities to foreign countries. These countries have paid dollars to us in order to acquire the particular currencies used to repay the Fund.

(The chart referred to follows:)

U.S. POSITION IN THE INTERNATIONAL MONETARY FUND



UNITED STATES ADEQUATELY PROTECTED RE PROPOSED GOLD QUOTA PAYMENTS

Particular attention has been given to the possible effect on the United States of gold payments to the Fund in connection with the proposed quota increases. It was clear that, in the normal course of events, many countries would wish to purchase gold from the United States in order to pay the gold portion of their quota increase to the Fund.

Both the Group of Ten and the IMF recognized that, if nonreserve countries utilized their holdings of reserve currencies to acquire gold from reserve currency countries in order to make payments to the IMF, the result would be both to reduce the gold holdings of the reserve centers and to actually diminish aggregate world reserves.

The arrangements that have been worked out and which are described on pages 11 to 13 of the NAC Special Report will provide fully adequate protection for the U.S. gold stock, while at the same time providing the Fund with needed liquidity.

Partial Quota Appropriation Nonacceptable

Before concluding, I should like to emphasize that the appropriation must be in the full amount of $1,035 million, since then proposed increase in each country's quota is determined by the resolutions adopted by the Board of Governors.

The amount of each country's increase cannot be changed without a reformulation of the entire general and special quota increase proposals. It is thus necessary to have the full amount requested in order to make our increased subscription payment, even though in practice we do not expect that the Fund will make use, in the foreseeable future, of the portion payable through a letter of credit.

U.S. Role In Bringing About Quota Increases

The U.S. Government is convinced of the importance of insuring that adequate resources shall be available to the Fund so that it can continue to play a vital role in the monetary system of the free world. For this reason, the United States took a leading part in the discussions of the Group of Ten, at the annual meeting of the Board of Governors in Tokyo and in the deliberations of the Executive Directors in bringing about the present quota increase proposal.

Desirability of Continued Leadership

It is important for the United States to continue to exercise leadership in this area, at this time when so much attention is being directed to the strengthening of the international monetary system. No better example of leadership can be given than the prompt approval and payment of our own subscription.

President Johnson requested in his transmittal letter to the Congress that the quota-increase legislation be given prompt and favorable consideration. The Congress has heeded the President's request in quickly enacting the authorizing legislation. Equally prompt and favorable consideration of the necessary appropriation is requested.

Payment Held in Trust Pending Quota Acceptance By Other Countries

Senator Ellender. How have the other countries reacted to this? Have they put up theirs?

Mr. Deming. This is in process. Most countries require the same sort of legislative approval that we do here. There has been so far—this has been done quite quickly, you understand just two countries which have consented to this increase and have preceded the United States. There are three small countries, Tanzania, Libya, and Israel.

Senator ELLENDER. Are we to retain this until the others contribute?

Mr. DEMING. Yes. What happens here actually is that we make our payments to the International Monetary Fund through the transfer of gold and the issuance of the letter of credit.

This is held by the Fund in a special account until two-thirds of the countries have consented to their quota increases. The deadline is September 25 of this year.

Senator ELLENDER. How many countries are involved in the Fund?

Mr. DEMING. 102 countries.

Countries that have two-thirds of the quotas have to consent and make their payments before this becomes effective. It does not mean that the increase does not become effective until the 102d country comes in, but as soon as countries which have two-thirds of the quotas in the Fund have consented to their quota increases, the increases become effective for all those countries that have consented.

Senator ELLENDER. Have we had any drop-outs?

Mr. DEMING. No, sir. Three have left the Fund, that is all.

DRAWING CAPACITY LIMITED BY NONACCEPTANCE OF QUOTA INCREASE

Senator ELLENDER. Do you anticipate that all other countries will contribute their respective shares?

Mr. DEMING. We are anticipating that all other countries will come in. One African country, Senegal, has indicated it would not accept an increase in its quota.

Senator ELLENDER. What happens to that?

Mr. DEMING. It just does not get an increase in the quota. It stays where it is.

Senator ELLENDER. Will it still belong?

Mr. DEMING. It belongs to the International Monetary Fund, but it has a lower proportion of the quotas and its drawing rights on the Fund will be smaller as well as its contribution to the Fund.

From a practical standpoint, Senator, the failure of a country such as this to take an increase in the Fund quota is more of a limiting factor for it than it is for the Fund, because it is unlikely that anybody would be drawing Senegalese currency, so this really limits Senegal's drawing from the Fund, rather than somebody else's drawing from Senegal.

Senator ELLENDER. Is there any relationship between what a country would draw to the contribution that it makes?

Mr. DEMING. Yes, the quota itself. The quota is a limiting factor in its drawings. The United States is able to draw up to 125 percent of its quota, which is $4,125 million at the present time, and would be $5,160 million when the quota increase enters in effect.

Actual Reduction in Treasury Gold Stock

Senator Ellender. As I understand, in this instance we are going to have to put up $258.75 million in gold, which will affect our gold holdings, but you counter that by saying that we get an asset for our gold.

Mr. Deming. There is no question about the fact that the Treasury gold stock is reduced by this amount. It is replaced in our asset holdings by an equivalent amount of gold tranche drawing rights. This is merely a transfer of a portion of the reserve that we presently hold from one form to another, and it shows in our international reserve in terms of the total.

It does not change our international reserve position at all. It does permit us, with the increase in our Fund quota to draw more from the Fund should we need to.

Effect on U.S. World Financial Image

Senator Ellender. But it does blunt our position in the eyes of the people of the world in that it reduces our gold holdings. Our reserve of gold has been decreasing and decreasing, which would have an adverse effect on our own dollar.

Mr. Deming. Well, I think, Senator, in this case it is thoroughly understood that all countries will be putting up portions of gold, and in that sense in the various countries the gold reserve will be going down, but they will be changing this for assets in the Internal Monetary Fund and I do not think that any central banker abroad will view this as an adverse movement of the American gold stock.

Senator Ellender. But you know the shape we are in. All the losses we have sustained in the past years in our gold reserve have gone to Western Europe.

Mr. Deming. That is right.

Senator Robertson. Have you finished your testimony?

Mr. Deming. Yes, sir.

Requirement of Full Committee Consideration for Overall Program of International Cooperation

Senator Robertson. I am sure, in light of the questions that have been asked, the testimony that has been given, the full committee will understand, first, why I did not want to take this up in a subcommittee whose jurisdiction was limited to appropriations for two departments: the Treasury and the Post Office.

I do not think too highly of omnibus bills or riders.

In the second place, being what you might call a mountaineer, a country boy, I hope I will never get to the point where I think a billion dollars is a small amount of money, and if this Congress ever gets to the point where it can add a billion dollars to any item without any hearings, it means it is not too long before we are going to run out of dollars.

We cannot put a billion dollars here, a billion dollars there, and everywhere without any hearings and keep the supply in hand.

Now, the Senator from Louisiana has touched upon a point which is undoubtedly true, that we are going back to a period of 20 years ago when we were moving into an overall program of international cooperation.

League of Nations and United Nations Experiences

Now I was a believer in the League of Nations. I was sorry we did not go into it, although afterward it proved ineffectual. Mussolini moved into Ethiopia. Hitler moved into Austria.

There was no power to step in. At the end of World War II we said, "We will have a league and put some teeth in it." We went out to San Francisco in April to draft a United Nations Charter and, unfortunately, we were afraid that if we put the teeth in it to stop aggression, some little nation might suck us into a war that we did not want to be in.

We wrote in there that certain other nations would be members of the council, each with a veto power of using the teeth. Russia has exercised that veto power 108 times, and the teeth of the United Nations are just plain gums. They won't bite anybody.

I read in the paper today that the United Nations is gradually unraveling, and I have previously heard that the 19 nations that we helped to create in darkest Africa now have the balance of power in the General Assembly. Some of those tribes cannot read and write and they have a vote equal to us in the United Nations.

Agencies Engaging in 1945 in International Financing

But to come back to the program of 20 years ago. Mr. Chairman, I ask unanimous consent to have printed in the record a chart entitled "U.S. and International Agencies Engaged in Overseas Credit and Financing Operations," and a copy of the latest Treasury statement indicating the condition of various financial accounts.

Senator Hayden. That shall be done.

(The chart referred to follows:)

U.S. AND INTERNATIONAL AGENCIES ENGAGED IN OVERSEAS CREDIT AND FINANCING OPERATIONS

	Export-Import Bank (Eximbank) (dollars)	Agency for International Development (AID)		International[1] Monetary Fund (IMF) (currencies of member countries, gold, and dollars)	International Bank (IBRD) (currencies of member countries)	International Finance Corporation (IFC) (dollars)	International Development Association (IDA) (currencies of member countries)	Inter-American Development Bank (IDB) (currencies of member countries, principally dollars)	Special Inter-American Fund for Social Progress (IDB administered trust Fund) (dollars)
		Dollars	Foreign currencies (Cooley loans)						
Purpose	Assist in financing, and facilitating, U.S. exports and imports.	Promote the economic development of less-developed countries—emphasizing long-range programs designed to develop economic resources and increase productive capacities.[2]	Assist foreign economic development and expansion of markets for U.S. surplus agricultural commodities.	Promote international monetary cooperation and encourage stability by providing resources to meet short-term balance-of-payments problems and by other means.	Aid the development of productive facilities and resources in member countries.	Further economic development by encouraging growth of productive private enterprise in less developed member countries.	Promote economic development in member countries by providing finance on terms not possible under IBRD, of which IDA is an affiliate.	Contribute to accelerating process of economic development in member countries.	Provide capital and technical assistance to support efforts of Latin American countries to achieve greater social progress and balanced economic growth.
Resources	$9,000,000,000 of lending authority.	Authorized $8,550,000,000 for period fiscal years 1962–66. Through fiscal year 1964, $3,574,800,000 was appropriated.	Up to 25 percent of proceeds of sales of surplus agricultural commodities under title I of Public Law 480.	Resources consist of gold and holdings of member currencies aggregating $15,600,000,000. The U.S. quota is $4,125,000,000.	Capital subscriptions of member countries—$21,100,000,000, of which approximately $2,100,000,000 paid in and $19,000,000,000 is callable. U.S. subscription $6,350,000,000, of which $5,700,000,000 is callable, if required by the Bank to meet its obligations.	Capital subscriptions of member countries of $99,000,000, and proceeds of sale of investments.	$995,700,000 subscribed. U.S. subscription is $320,300,000. Review of resources required every 5 years, with a view to replenisment.	Authorized capital of $1,800,000,000 (U.S. share $762,000,000) for "Ordinary operations." $219,500,000 for "Fund for Special Operations," of which U.S. share is $150,000,000.	$525,000,000 appropriated by the United States.
Nature of loans	(1) Project loans; i.e., to foreign governments and private enterprises (United States and foreign) for purchases of U.S. goods and services for development projects abroad; and (2) exporter credits.	Loans to foreign governments, public entities, and private firms (United States or foreign) for purposes which promote economic development.	Loans to (1) private U.S. companies only, including their subsidiaries and affiliates abroad, and (2) U.S. or local private companies for expanding markets for U.S. agricultural commodities abroad.	Take form of a member's purchase from the Fund of the currencies of other members for an equivalent amount of the member's own currency. A member's purchase of currency from the Fund must be repaid by repurchases.	Loans to member governments, and to other public or private entities if guaranteed by a member government.	Investments in productive private enterprises. May now subscribe to their capital stock. Guarantee of member government not sought.	Credits to member governments or political subdivisions of such members and to public or private entities in territories of a member.	Making, or participating in direct loans to member governments and private entities in those countries.	Loans to governments, public institutions, private borrowers and cooperatives, in fields of land settlement and use, low income housing, community water and sanitation, and, to a limited extent, higher education.
Nature of guarantees.	Export credit insurance on short and medium suppliers' credits in partnership with private insurance associations and guarantees of loans by private lenders for purposes noted above.	Full or partial guarantees up to $2,500,000,000 of private U.S.-owned investment against expropriation, inconvertibility, war damage, and certain political risks; partial guarantees up to $180,000,000 against all risks; guarantees of investments up to $150,000,000 for self-liquidating pilot housing projects.	Not applicable	Not applicable	Full or partial guarantees of loans by private lenders for purposes noted above, if such loans are guaranteed by a member government. Guarantee authority has not been exercised.	Not applicable	Not applicable	May guarantee in whole or in part loans by private investors.	Not applicable.

Relationship to other sources of financing.	Cannot compete with private capital, and does not loan where private capital available on reasonable terms.	Must take into account whether financing could be obtained from other free world sources on reasonable terms.	Not applicable	Cooperates with and acts through member countries' treasuries, central banks, stabilization funds, or similar fiscal agencies.	Cannot lend where private capital available on reasonable terms.	Cannot invest where sufficient private capital available on reasonable terms.	Cannot lend where private capital available on reasonable terms or where financing could be provided by loan of type made by IBRD.	Cooperates with other sources of financing. Takes into account the ability of borrowers to obtain private loans on terms which in the Bank's opinion are reasonable, taking into account all pertinent factors.	Must take into account whether assistance can be obtained from national or international agencies or private sources on reasonable terms.
Maturity of loans	Generally up to 5 years on exporter credits; up to 20 years on project loans.	Generally up to 40 years with provision for grace period up to 10 years prior to start of amortization of principal.	Depending upon the economics of the project but generally not more than 10 years.	Members undertake to repurchase (repay) within a period not exceeding 3 to 5 years.	Generally 15 to 25 years.	Generally about 10 years.	All credits so far extended for 50 years with 10-year grace period and graduated amortization.	10 to 20 years on basis of experience to date.	Generally 15 to 30 years.
Currency of repayment.	U.S. dollars	U.S. dollars	Foreign currency loaned.	Gold or convertible currency.	Currency lent	Currency invested—usually U.S. dollars.	Currency lent, or other foreign exchange as appropriate.	For "ordinary" "operations" in currency lent; for "special operations" in whole or part in currency of country where project is located.	Largely in the currency of the borrowing country.
Interest rate or fee	Current rate 5½ percent for development loans. Exporter credits at higher rates.	Most loans to governments, ¾ percent during grace period and 2 percent thereafter.	Related to prevailing local rate.	Service charge of ½ of 1 percent plus interest on purchases in excess of quota increasing with length of time purchases outstanding and amount purchased. Lowest rate is 2 percent per annum.	5½ percent currently.	Currently about 7 percent for loans. No fixed return on equity participations.	No interest; ¾ of 1 percent service charge.	"Ordinary operations" 6 percent; "special operations" 4 percent; payable in currency loaned.	3½ percent for water and sewer systems, including a ¾ of 1 percent service charge payable in dollars. 2 percent for other projects, including ¾ percent service charge payable in dollars.
Where proceeds of loan must be spent, including guaranteed private loans.	In the United States.	Largely in the United States.	In country whose currency is loaned.	Not limited to U.S. procurement.	Not limited to U.S. procurement.	Not limited to U.S. procurement.	Not limited to U.S. procurement.	Not limited to U.S. procurement.	Limited to United States and member countries of IDB.
Decisionmaking body.	Board of Directors with advice of National Advisory Council on International Monetary and Financial Problems (NAC).	Administrator of AID with advice of Development Loan Committee, with general advice of NAC.	Administrator of AID, with general advice of NAC.	Board of Governors or, as delegated, the Board of Directors; U.S. Director instructed by NAC.	Board of Governors or, as delegated, the Board of Directors; U.S. Director instructed by NAC.	Board of Governors or, as delegated, the Board of Directors; U.S. Director instructed by NAC.	Board of Governors or, as delegated, the Board of Directors; U.S. Director instructed by NAC.	Board of Governors or, as delegated, the Board of Directors; U.S. Director instructed by NAC.	IDB Board of Governors, acting as trustees, or as delegated, IDB Board of Directors; U.S. Director instructed by NAC.
Legal authority	Eximbank Act of 1945, as amended.	Foreign Assistance Act of 1961, as amended.	Sec. 104(e) of title I, Public Law 480 (Cooley amendment).	Articles of Agreement, and Bretton Woods Act.	Articles of Agreement, and Bretton Woods Act.	Articles of Agreement, and International Finance Corporation Act.	Articles of Agreement, and International Development Association Act.	Articles establishing the Inter-American Bank, and Inter-American Development Bank Act.	Agreement establishing the Social Progress Trust Fund and Act, authorizing Inter-American Social and Economic Cooperation program.[3]

[1] IMF's contribution in economic development efforts, while important, is indirect rather than direct.

[2] AID also extends grant assistance for development. In some circumstances, supporting assistance may take the form of a loan. The interest rate is generally, 3½ percent, with maturity up to 40 years including a grace period up to 10 years.

[3] Social Progress Trust Fund agreement between the United States and the IDB signed June 19, 1961.

Source: Office of Development Financing and Private Enterprise, AID, July 31, 1964.

Revised Aug. 14, 1964.

BRETTON WOODS AGREEMENTS ACT

Senator ROBERTSON. I also ask to have placed in the record the act of 1945 that created the International Monetary Fund to show what its powers were.

(The act referred to follows:)

[PUBLIC LAW 171—79TH CONGRESS]

[CHAPTER 339—1ST SESSION]

[H.R. 3314]

An Act to provide for the participation of the United States in the International Monetary Fund and the International Bank for Reconstruction and Development

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Bretton Woods Agreements Act".

ACCEPTANCE OF MEMBERSHIP

SEC. 2. The President is hereby authorized to accept membership for the United States in the International Monetary Fund (hereinafter referred to as the "Fund"), and in the International Bank for Reconstruction and Development (hereinafter referred to as the "Bank"), provided for by the Articles of Agreement of the Fund and the Articles of Agreement of the Bank as set forth in the Final Act of the United Nations Monetary and Financial Conference dated July 22, 1944, and deposited in the archives of the Department of State.

APPOINTMENT OF GOVERNORS, EXECUTIVE DIRECTORS, AND ALTERNATES

SEC. 3. (a) The President, by and with the advice and consent of the Senate, shall appoint a governor of the Fund who shall also serve as a governor of the Bank, and an executive director of the Fund and an executive director of the Bank. The executive directors so appointed shall also serve as provisional executive directors of the Fund and the Bank for the purposes of the respective Articles of Agreement. The term of office for the governor of the Fund and of the Bank shall be five years. The term of office for the executive directors shall be two years and the excutive directors shall remain in office until their successors have been appointed.

(b) The President, by and with the advice and consent of the Senate, shall appoint an alternate for the governor of the Fund who shall also serve as alternate for the governor of the Bank. The President, by and with the advice and consent of the Senate, shall appoint an alternate for each of the executive directors. The alternate for each executive director shall be appointed from among individuals recommended to the President by the executive director. The terms of office for alternates for the governor and the executive directors shall be the same as the terms specified in subsection (a) for the governor and executive directors.

(c) No person shall be entitled to receive any salary or other compensation from the United States for services as a governor, executive director, or alternate.

NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONETARY AND FINANCIAL PROBLEMS

SEC. 4. (a) In order to coordinate the policies and operations of the representatives of the United States on the Fund and the Bank and of all agencies of the Government which make or participate in making foreign loans or which engage in foreign financial, exchange or monetary transactions, there is hereby established the National Advisory Council on International Monetary and Financial Problems (hereinafter referred to as the "Council"), consisting of the Secretary of the Treasury, as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Board of Trustees of the Export-Import Bank of Washington.

(b)(1) The Council, after consultation with the representatives of the United States on the Fund and the Bank, shall recommend to the President general policy directives for the guidance of the representatives of the United States on the Fund and the Bank.

(2) The Council shall advise and consult with the President and the representatives of the United States on the Fund and the Bank on major problems arising in the administration of the Fund and the Bank.

(3) The Council shall coordinate, by consultation or otherwise, so far as practicable, the policies and operations of the representatives of the United States on the Fund and the Bank, the Export-Import Bank of Washington and all other agencies of the Government to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions.

(4) Whenever, under the Articles of Agreement of the Fund or the Articles of Agreement of the Bank, the approval, consent or agreement of the United States is required before an act may be done by the respective institutions, the decision as to whether such approval, consent, or agreement, shall be given or refused shall (to the extent such decision is not prohibited by section 5 of this Act) be made by the Council, under the general direction of the President. No governor, executive director, or alternate representing the United States shall vote in favor of any waiver of condition under article V, section 4, or in favor of any declaration of the United States dollar as a scarce currency under article VII, section 3, of the Articles of Agreement of the Fund, without prior approval of the Council.

(5) The Council from time to time, but not less frequently than every six months, shall transmit to the President and to the Congress a report with respect to the participation of the United States in the Fund and the Bank.

(6) The Council shall also transmit to the President and to the Congress special reports on the operations and policies of the Fund and the Bank, as provided in this paragraph. The first report shall be made not later than two years after the establishment of the Fund and the Bank, and a report shall be made every two years after the making of the first report. Each such report shall cover and include: The extent to which the Fund and the Bank have achieved the purposes for which they were established; the extent to which the operations and policies of the Fund and the Bank have adhered to, or departed from, the general policy directives formulated by the Council, and the Council's recommendations in connection therewith: the extent to which the operations and policies of the Fund and the Bank have been coordinated, and the Council's recommendations in connection therewith; recommendations on whether the resources of the Fund and the Bank should be increased or decreased; recommendations as to how the Fund and the Bank may be made more effective; recommendations on any other necessary or desirable changes in the Articles of Agreement of the Fund and of the Bank or in this Act; and an over-all appraisal of the extent to which the operations and policies of the Fund and the Bank have served, and in the future may be expected to serve, the interests of the United States and the world in promoting sound international economic cooperation and furthering world security.

(7) The Council shall make such reports and recommendations to the President as he may from time to time request, or as the Council may consider necessary to more effectively or efficiently accomplish the purposes of this Act or the purposes for which the Council is created.

(c) The representatives of the United States on the Fund and the Bank, and the Export-Import Bank of Washington (and all other agencies of the Government to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions) shall keep the Council fully informed of their activities and shall provide the Council with such further information or data in their possession as the Council may deem necessary to the appropriate discharge of its responsibilities under this Act.

CERTAIN ACTS NOT TO BE TAKEN WITHOUT AUTHORIZATION

SEC. 5. Unless Congress by law authorizes such action, neither the President nor any person or agency shall on behalf of the United States (a) request or consent to any change in the quota of the United States under article III, section 2, of the Articles of Agreement of the Fund; (b) propose or agree to any change in the par value of the United States dollar under article VI, section 5, or article

XX, section 4, of the Articles of Agreement of the Fund, or approve any general change in par values under article IV, section 7; (c) subscribe to additional shares of stock under article II, section 3, of the Articles of Agreement of the Bank; (d) accept any amendment under article XVII of the Articles of Agreement of the Fund or article VIII of the Articles of Agreement of the Bank; (e) make any loan to the Fund or the Bank. Unless Congress by law authorizes such action, no governor or alternate appointed to represent the United States shall vote for an increase of capital stock of the Bank under article II, section 2, of the Articles of Agreement of the Bank.

DEPOSITORIES

SEC. 6. Any Federal Reserve bank which is requested to do so by the Fund or the Bank shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

PAYMENT OF SUBSCRIPTIONS

SEC. 7. (a) Subsection (c) of section 10 of the Gold Reserve Act of 1934, as amended (U.S.C., title 31, sec. 822a), is amended to read as follows:

"(c) The Secretary of the Treasury is directed to use $1,800,000,000 of the fund established in this section to pay part of the subscription of the United States to the International Monetary Fund; and any repayment thereof shall be covered into the Treasury as a miscellaneous receipt."

(b) The Secretary of the Treasury is authorized to pay the balance of $950,000,000 of the subscription of the United States to the Fund not provided for in subsection (a) and to pay the subscription of the United States to the Bank from time to time when payments are required to be made to the Bank. For the purpose of making these payments, the Secretary of the Treasury is authorized to use as a public-debt transaction not to exceed $4,125,000,000 of the proceeds of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include such purpose. Payment under this subsection of the subscription of the United States to the Fund or the Bank and repayments thereof shall be treated as public-debt transactions of the United States.

(c) For the purpose of keeping to a minimum the cost to the United States of participation in the Fund and the Bank, the Secretary of the Treasury, after paying the subscription of the United to the Fund, and any part of the subscription of the United States to the Bank required to be made under article II, section 7(i), of the Articles of Agreement of the Bank, is authorized and directed to issue special notes of the United States from time to time at par and to deliver such notes to the Fund and the Bank in exchange for dollars to the extent permitted by the respective Articles of Agreement. The special notes provided for in this subsection shall be issued under the authority and subject to the provisions of the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include the purposes for which special notes are authorized and directed to be issued under this subsection, but such notes shall bear no interest, shall be non-negotiable, and shall be payable on demand of the Fund or the Bank, as the case may be. The face amount of special notes issued to the Fund under the authority of this subsection and outstanding at any one time shall not exceed in the aggregate the amount of the subscription of the United States actually paid to the Fund, and the face amount of such notes issued to the Bank and outstanding at any one time shall not exceed in the aggregate the amount of the subscription of the United States actually paid to the Bank under article II, section 7(i), of the Articles of Agreement of the Bank.

(d) Any payment made to the United States by the Fund or the Bank as a distribution of net income shall be covered into the Treasury as a miscellaneous receipt.

OBTAINING AND FURNISHING INFORMATION

SEC. 8. (a) Whenever a request is made by the Fund to the United States as a member to furnish data under article VIII, section 5, of the Articles of Agreement of the Fund, the President may, through any agency he may designate, require any person to furnish such information as the President may determine to be essential to comply with such request. In making such determination the President shall seek to collect the information only in such detail as is necessary to comply with the request of the Fund. No information so acquired shall be furnished to the Fund in such detail that the affairs of any person are disclosed.

(b) In the event any person refuses to furnish such information when requested to do so, the President, through any designated governmental agency, may by subpoena require such person to appear and testify or to appear and produce records and other documents, or both. In case of contumacy by, or refusal to obey a subpoena served upon any such person, the district court for any district in which such person is found or resides or transacts business, upon application by the President or any governmental agency designated by him, shall have jurisdiction to issue an order requiring such person to appear and give testimony or apear and produce records and documents, or both; and any failure to obey such order of the court may be punished by such court as a contempt thereof.

(c) It shall be unlawful for any officer or employee of the Government, or any advisor or consultant to the Government, to disclose, otherwise than in the course of official duty, any information obtained under this section, or to use any such information for his personal benefit. Whoever violates any of the provisions of this subsection shall, upon conviction, be fined not more than $5,000, or imprisoned for not more than five years, or both.

(d) The term "person" as used in this section means an individual, partnership, corporation or association.

FINANCIAL TRANSACTIONS WITH FOREIGN GOVERNMENTS IN DEFAULT

SEC. 9. The Act entitled "An Act to prohibit financial transactions with any foreign government in default on its obligations to the United States", approved April 13, 1934 (U.S.C., title 31, sec. 804a), is amended by adding at the end thereof a new section to read as follows:

"SEC. 3. While any foreign government is a member both of the International Monetary Fund and of the International Bank for Reconstruction and Development, this Act shall not apply to the sale or purchase of bonds, securities, or other obligations of such government or any political subdivision thereof or of any organization or association acting for or on behalf of such government or political subdivision, or to the making of any loan to such government, political subdivision, organization, or association."

JURISDICTION AND VENUE OF ACTIONS

SEC. 10. For the purpose of any action which may be brought within the United States or its Territories or possessions by or against the Fund or the Bank in accordance with the Articles of Agreement of the Fund or the Articles of Agreement of the Bank, the Fund or the Bank, as the case may be, shall be deemed to be an inhabitant of the Federal judicial district in which its principal office in the United States is located, and any such action at law or in equity to which either the Fund or the Bank shall be a party shall be deemed to arise under the laws of the United States, and the district courts of the United States shall have original jurisdiction of any such action. When either the Fund or the Bank is a defendant in any such action, it may, at any time before the trial thereof, remove such action from a State court into the district court of the United States for the proper district by following the procedure for removal of causes otherwise provided by law.

STATUS, IMMUNITIES, AND PRIVILEGES

SEC. 11. The provisions of article IX, sections 2 to 9, both inclusive, and the first sentence of article VIII, section 2 (b), of the Articles of Agreement of the Fund, and the provisions of article VI, section 5 (i), and article VII, sections 2 to 9, both inclusive, of the Articles of Agreement of the Bank, shall have full force and effect in the United States and its Territories and possessions upon acceptance of membership by the United States in, and the establishment of, the Fund and the Bank, respectively.

STABILIZATION LOANS BY THE BANK

SEC. 12. The governor and executive director of the Bank appointed by the United States are hereby directed to obtain promptly an official interpretation by the Bank as to its authority to make or guarantee loans for programs of economic reconstruction and the reconstruction of monetary systems, including long-term stabilization loans. If the Bank does not interpret its powers to include the making or guaranteeing of such loans, the governor of the Bank representing the United States is hereby directed to propose promptly and support an amendment to the Articles of Agreement for the purpose of explicitly authorizing the Bank, after consultation with the Fund, to make or guarantee such loans. The President is hereby authorized and directed to accept an amendment to that effect on behalf of the United States.

STABILIZATION OPERATIONS BY THE FUND

SEC. 13. (a) The governor and executive director of the Fund appointed by the United States are hereby directed to obtain promptly an official interpretation by the Fund as to whether its authority to use its resources extends beyond current monetary stabilization operations to afford temporary assistance to members in connection with seasonal, cyclical, and emergency fluctuations in the balance of payments of any member for current transactions, and whether it has authority to use its resources to provide facilities for relief, reconstruction, or armaments, or to meet a large or sustained outflow of capital on the part of any member.

(b) If the interpretation by the Fund answers in the affirmative any of the questions stated in subsection (a), the governor of the Fund representing the United States is hereby directed to propose promptly and support an amendment to the Articles of Agreement for the purpose of expressly negativing such interpretation. The President is hereby authorized and directed to accept an amendment to that effect on behalf of the United States.

FURTHER PROMOTION OF INTERNATIONAL ECONOMIC RELATIONS

SEC. 14. In the realization that additional measures of international economic cooperation are necessary to facilitate the expansion and balanced growth of international trade and render most effective the operations of the Fund and the Bank, it is hereby declared to be the policy of the United States to seek to bring about further agreement and cooperation among nations and international bodies, as soon as possible, on ways and means which will best reduce obstacles to and restrictions upon international trade, eliminate unfair trade practices, promote mutually advantageous commercial relations, and otherwise facilitate the expansion and balanced growth of international trade and promote the stability of international economic relations. In considering the policies of the United States in foreign lending and the policies of the Fund and the Bank, particularly in conducting exchange transactions, the Council and the United States, representatives on the Fund and the Bank shall give careful consideration to the progress which has been made in achieving such agreement and cooperation.

Approved July 31, 1945.

Daily Statement of the United States Treasury

MAY 27, 1965

TABLE I--ACCOUNT OF TREASURER OF THE UNITED STATES

ASSETS		LIABILITIES	
Gold (oz. 408,368,850.5)	$14,292,909,768.87	Gold certificates (series of 1934)	$2,816,055,600.00
(Amount on May 27, 1964 was $15,463,012,510.97)		Gold certificate fund - Federal Reserve System	9,660,087,296.12
		Redemption fund - Federal Reserve notes	1,546,853,299.26
		Gold reserve against United States notes	156,039,430.93
		Balance of gold	113,874,142.56
Total	14,292,909,768.87	Total	14,292,909,768.87
Silver (oz. 1,000,299,646.0)	1,293,316,713.11	Silver certificates (issued after June 30, 1929)	945,061,496.00
Silver dollars (oz. 2,297,892.1)	2,971,012.00	Balance of silver	351,226,229.11
Total	1,296,287,725.11	Total	1,296,287,725.11
Gold balance (as above)	113,874,142.56		
Deposits in Federal Reserve Banks - Available funds	752,188,946.51		
Deposits in special depositaries, Treasury Tax and Loan Accounts	9,013,318,079.65		
Treasury operating balance	9,879,381,168.72		
Deposits in Federal Reserve Banks - In process of collection	166,578,676.51		
Deposits in other depositaries	300,068,042.30		
Silver balance (as above)	351,226,229.11		
Subsidiary coin (oz. 8,959,453.9)	12,385,628.30		
Other silver bullion (oz. 33,426,146.7)	36,622,782.76		
Other coin and currency	120,020,235.28		
Unclassified collections, uncollected items, exchanges, etc. (net)	34,514,422.48	Balance, Treasurer's general account[1]	10,900,797,185.46
Total	10,900,797,185.46	Total	10,900,797,185.46

TABLE II--CHANGES IN BALANCE OF ACCOUNT OF TREASURER, U.S.

Classification	This month to date	Corresponding month last year[2]	Fiscal year 1965 to date (Beginning July 1, 1964)	Corresponding period fy 1964[2] (Beginning July 1, 1963)
Balance of account, beginning of period	$9,336,024,490.27	$6,085,067,437.08	$11,035,731,209.07	$12,116,176,163.41
Excess of deposits (+) or withdrawals (-), public debt accounts (Table III)	-610,327,904.82	+515,257,674.12	+6,114,797,909.62	+3,347,042,025.99
Excess of deposits (+) or withdrawals (-), budget, trust and other accounts (Table IV)	+1,648,444,202.97	+873,994,228.51	-4,813,476,824.62	-7,855,922,232.85
Sales and redemptions of securities of Government agencies in market (net), excess of deposits (sales) (+) or withdrawals (redemptions) (-)	+321,093,994.45	-1,891,663.21	-65,911,364.46	+452,458,211.04
Clearing accounts:				
Excess of deposits (-) or checks issued (+) classified in Table III or IV for which the documents have not yet been received by the Treasurer, U.S.	+474,002,195.36	+1,055,887,809.23	-117,074,716.78	-5,303,785,028.52
Excess of deposits (+) or checks cleared (-) at Federal Reserve Banks, which have affected the Treasurer's balance, but not yet classified	-268,439,792.77	-187,809,918.57	-1,253,269,027.37	+5,584,536,428.09
Balance of account, this date (Table I)	10,900,797,185.46	8,340,505,567.16	10,900,797,185.46	8,340,505,567.16

See footnotes at end of table, p. 28.

TABLE III--CHANGES IN THE PUBLIC DEBT

Classification	This month to date	Corresponding month last year[2]	Fiscal year 1965 to date (Beginning July 1, 1964)	Corresponding period fy 1964[2] (Beginning July 1, 1963)
Gross public debt at beginning of period	$316,556,644,357.69	$307,600,680,871.64	$311,712,899,257.30	$305,859,632,996.41
Increase (+) or decrease (-) in the gross public debt:[3]				
Public issues:				
Marketable:				
Treasury bills	-19,327,000.00	+1,081,490,000.00	+6,166,431,000.00	+4,902,857,000.00
Certificates of indebtedness	-6,000.00	-4,196,994,000.00	-701,500.00	-22,168,890,300.00
Treasury notes	-2,496,526,000.00	+2,278,760,000.00	-14,751,794,050.00	+15,[illegible]41,597,100.00
Treasury bonds	+2,025,160,550.00	+1,502,059,900.00	+14,036,255,600.00	+6,[illegible]06,142,400.00
Other	-8,918.75	-11,966.00	-176,666.00	-196,922.75
Total marketable issues	-490,707,368.75	+665,303,934.00	+5,450,014,384.00	+4,481,509,277.25
Non-marketable:				
United States savings bonds	-72,299,265.18	-46,673,453.19	+564,278,232.94	+782,004,339.69
Treasury bonds, investment series	-3,186,000.00	-6,508,000.00	-263,690,000.00	-363,737,000.00
Other	-17,412,226.61	+71,537,115.11	+700,952,090.41	-15,032,027.74
Total non-marketable issues	-92,897,491.79	+18,355,661.92	+1,001,540,323.35	+398,235,311.95
Total public issues	-583,604,860.54	+683,659,595.92	+6,451,554,707.35	+4,879,744,589.20
Special issues	+3,804,557,017.21	+2,030,988,129.54	+1,579,399,698.25	-765,781,459.91
Other issues	-203,373,804.00	-3,088,395.00	-169,630,952.54	+339,644,076.40
Change in gross public debt	+3,017,578,352.67	+2,711,559,330.46	+7,861,323,453.06	+4,452,607,205.69
Gross public debt this date	319,574,222,710.36	310,312,240,202.10	319,574,222,710.36	310,312,240,202.10
Change in gross public debt, increase (+) or decrease (-)	+3,017,578,352.67	+2,711,559,330.46	+7,861,323,453.06	+4,452,607,205.69
Investments of Government agencies in public debt securities (net), excess of purchases (-) or redemptions (+)	-3,895,894,301.17	-2,254,163,718.96	-1,596,385,153.25	-173,057,650.12
Public debt redemptions included as withdrawals in Table IV (+) (Table V)	+395,443,300.52	+176,005,536.68	+3,106,753,951.41	+2,012,925,520.34
Accruals on savings and retirement plan bonds and Treasury bills (-) (Table V)	-127,455,256.84	-118,143,474.96	-3,256,894,341.60	-2,945,433,050.12
Excess of deposits (+) or withdrawals (-), public debt (Table II)	-610,327,904.82	+515,257,674.12	+6,114,797,909.62	+3,347,042,025.99
Gross public debt this date	319,574,222,710.36	310,312,240,202.10	319,574,222,710.36	310,312,240,202.10
Guaranteed debt of U.S. Government agencies	603,041,475.00	824,393,500.00	603,041,475.00	824,393,500.00
Total gross public debt and guaranteed debt	320,177,264,185.36	311,136,633,702.10	320,177,264,185.36	311,136,633,702.10
Deduct debt not subject to statutory limitation	283,737,144.51	361,939,747.30	283,737,144.51	361,939,747.30
Total debt subject to limitation[4]	319,893,527,040.85	310,774,693,954.80	319,893,527,040.85	310,774,693,954.80

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MAY 27, 1965

TABLE IV--ANALYSIS OF CERTAIN DEPOSITS AND WITHDRAWALS

(RELATING TO BUDGET, TRUST, AND OTHER ACCOUNTS)

The classifications of deposits and withdrawals in this table are those that are derived from the account of the Treasurer of the United States, and do not purport to be transactions affecting budget surplus or deficit. Transactions classified separately as to budget and nonbudget are published in the Monthly Statement of Receipts and Expenditures of the United States Government.

Classification	This month to date	Corresponding month last year [2]	Fiscal year 1965 to date (Beginning July 1, 1964)	Corresponding period fy 1964 [2] (Beginning July 1, 1963)
DEPOSITS				
Internal revenue:				
Withheld individual income and Federal Insurance Contributions Act taxes[5]	$8,527,901,451.20	$7,099,213,204.02	$47,960,493,317.69	$49,891,503,322.74
Other individual income and Self-Employment Contributions Act taxes[5]	1,354,757,244.32	1,138,756,544.65	15,644,917,286.76	14,192,130,230.33
Corporation income taxes	504,249,231.56	490,443,100.47	19,536,449,296.70	18,128,670,626.58
Excise taxes	1,324,011,130.03	1,184,646,965.72	13,436,180,794.16	12,628,388,777.18
Railroad Retirement Tax Act	86,403,868.81	81,192,952.58	564,270,454.03	543,201,388.20
Federal Unemployment Tax Act	3,524,546.87	3,740,023.40	621,087,473.70	848,498,029.34
Estate and gift taxes	286,374,947.91	266,425,503.63	2,494,694,082.58	2,213,271,795.16
Customs	112,410,499.05	90,748,181.75	1,309,999,950.39	1,157,830,607.33
Deposits by States and Railroad Retirement Board in unemployment trust fund	981,920,035.31	963,798,484.39	3,110,257,905.07	3,039,036,042.25
Veterans' life insurance funds	32,095,380.58	28,947,432.33	449,121,540.87	443,055,271.87
All other	1,352,714,694.13	946,740,067.89	10,654,793,992.30	9,922,027,681.40
Total	14,566,363,029.77	12,294,652,460.83	115,782,266,094.25	113,007,613,772.38
Deduct: Refunds of receipts	1,108,849,455.38	1,349,816,361.72	5,554,303,123.86	6,719,639,630.63
Net deposits	13,457,513,574.39	10,944,836,099.11	110,227,962,970.39	106,287,974,141.75
WITHDRAWALS				
Defense Department:				
Military (including military assistance)	4,185,843,097.54	4,146,630,528.01	44,176,500,295.45	46,107,725,953.73
Civil	109,244,129.65	82,547,768.92	1,151,486,479.50	1,084,339,839.79
Foreign assistance - economic	155,797,606.43	128,021,200.28	1,867,526,636.07	1,770,859,936.49
Atomic Energy Commission	164,220,261.07	210,536,635.79	2,410,425,558.31	2,511,896,870.25
National Aeronautics and Space Administration	418,197,597.38	358,609,747.58	4,594,156,182.02	3,678,896,156.37
Veterans Administration	450,269,714.30	425,577,316.50	5,056,823,269.06	4,902,969,811.70
Commodity Credit Corporation	109,505,819.17	105,737,708.73	4,281,778,162.84	5,230,162,387.09
Health, Education, and Welfare Department	607,551,312.05	188,567,541.18	5,020,774,044.23	4,879,894,818.30
Interest on the public debt	1,303,692,944.47	1,295,199,965.03	8,240,348,215.71	7,796,353,379.05
Federal employees' retirement funds	123,520,140.21	112,765,095.47	1,316,751,812.90	1,208,004,487.36
Federal old-age and disability insurance trust funds	1,433,538,812.25	1,370,971,507.44	15,480,898,843.17	14,747,854,343.83
Highway trust fund	192,335,959.04	208,221,433.57	3,618,885,575.51	3,300,696,779.21
Railroad retirement account	94,839,490.77	93,046,547.26	1,031,514,481.85	1,009,662,060.69
Unemployment trust fund	161,109,981.99	223,981,805.71	2,660,272,537.12	3,045,029,534.04
Veterans' life insurance funds	31,636,540.38	34,089,117.80	577,301,971.50	616,871,158.72
All other	2,267,765,964.72	1,086,337,951.33	13,555,995,729.77	12,252,678,857.98
Total withdrawals	11,809,069,371.42	10,070,841,870.60	115,041,439,795.01	114,143,896,374.60
Excess of deposits (+) or withdrawals (-) applicable to budget, trust, and other accounts. (For other deposits and withdrawal data, see Table II)	+1,648,444,202.97	+873,994,228.51	-4,813,476,824.62	-7,855,922,232.85

See footnotes at end of table, p. 28.

TABLE V--MEMORANDUM ON CERTAIN TRANSACTIONS IN PUBLIC DEBT ACCOUNTS

Classification	This month to date	Corresponding month last year [2]	Fiscal year 1965 to date (Beginning July 1, 1964)	Corresponding period fy 1964 [2] (Beginning July 1, 1963)
Non-cash items included in public debt in Table III and omitted from withdrawals in Table IV:				
Increments on savings and retirement plan bonds	....	....	$1,260,418,187.32	$1,220,831,539.28
Discount accrued on Treasury bills	$127,455,256.84	$118,143,474.06	1,996,476,154.28	1,724,601,511.14
Total	127,455,256.84	118,143,474.06	3,256,894,341.60	2,945,433,050.42
Public debt redemptions included in withdrawals in Table IV:[6]				
Interest included in savings and retirement plan bond redemptions	68,024,465.32	95,164,444.37	871,157,005.27	775,183,580.05
Discount included in Treasury bill redemptions	124,340,294.71	78,246,442.37	1,793,194,181.15	1,456,369,560.96
Inter-American Development Bank notes (net)	....	....	....	-25,000,000.00
International Monetary Fund notes (net)	200,000,000.00	2,000,000.00	472,000,000.00	-117,000,000.00
International Development Association notes (net)	....	....	-16,391,200.00	-35,304,400.00
United Nations funds securities (net)	3,000,000.00	527,433.00	-13,873,435.00	-42,061,834.00
Excess profits tax refund bonds[7]	15.49	216.94	10,649.99	8,113.83
Armed forces leave bonds	65,575.00	59,700.00	528,850.00	607,450.00
Adjusted service bonds	12,950.00	7,300.00	127,900.00	123,050.00
Total	395,443,300.52	176,005,536.68	3,106,753,951.41	2,012,925,520.84

TABLE VI--U.S. SAVINGS BONDS--SERIES E AND H

Sales--cash issue price	$347,253,600.05	$350,170,357.54	$4,168,357,764.93	$4,250,336,267.05
Accrued discount on Series E	....	....	1,247,689,988.03	1,205,856,704.59
Total	347,253,600.05	350,170,357.54	5,416,047,752.96	5,456,192,971.64
Redemptions--for cash, at current redemption value [8]	394,719,914.69	352,260,092.05	4,535,687,258.75	4,303,165,465.55
Exchanges--Series H for Series E, F and J	14,605,000.00	14,095,500.00	177,092,000.00	193,202,000.00

[1] Statutory reserve, 5% lawful money, for Board of Trustees, Postal Savings System, is $17,800,000.00.
[2] Covers period through May 27, 1964.
[3] Includes exchanges.
[4] Statutory debt limit, established at $285 billion by the act approved June 30, 1959, has been temporarily increased to $324 billion through June 30, 1965.
[5] Distribution in accordance with provisions of sec. 201 of Social Security Act, as amended, is shown in Monthly Treasury Statement.
[6] Minus figures represent net issues. Armed forces leave bonds, etc., and interest on savings bonds and Treasury bills are withdrawals when paid.
[7] Reported as refunds of receipts.
[8] Includes minor amounts Series A-D, which matured before May 1951.

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GPO 877-767

CREATION OF ADDITIONAL INTERNATIONAL FINANCING AGENCIES

While we created the Export-Import Bank in 1934, a recent report says it did not begin to function on its present scale until 1945. Then what do we have in the way of international finance. Export-Import Bank, Agency for International Development—that started out as the Marshall plan—and the aura of that name lost some of its appeal, and now we have changed its name. Now it is called AID.

The International Monetary Fund, International Bank, International Finance Corporation, International Development Association, Inter-American Development Bank, Special Inter-American Fund for Social Progress.

We have them all, don't we?

Mr. DEMING. Yes, sir.

Senator ROBERTSON. And they all primarily date back to a plan we had in 1945 when we were going to try to develop a better world. We were going to have a world that was dedicated to peaceful cooperation, and we were going to make out of our blessings due to a system of private enterprise, funds available to develop themselves on the assumption that, if they got a little richer, they would act a little better—would be a little more friendly with each other and with us.

So when it came to the International Monetary Fund—and it was a sound concept—we very generously agreed that our wealth and production, being equal to one-fourth of the entire world, we said we will handle one-fourth of this bill, and we have been handling it ever since.

Mr. DEMING. Although our original share in the total Fund quotas was more than 30 percent, our share for the total at present is about 26 percent.

Senator ROBERTSON. One-fourth. This bill has a fourth.

Mr. DEMING. That is correct, Senator. Our quota is to be increased by one-fourth, which will leave our share in total fund quotas also about 25 percent.

BORROWING POWER OF FOREIGN COUNTRIES THROUGH EXPORT-IMPORT BANK

Senator ROBERTSON. Then we gave the Export-Import Bank to help people buy here and to help us sell abroad, mostly to export, we gave them a borrowing power of $6 billion.

Senator ELLENDER. It is more than that now. I think it is in excess of $9 billion.

Senator ROBERTSON. The Export-Import Bank?

Senator ELLENDER. Yes.

Senator ROBERTSON. We changed it last year, but I forget the figure.

Senator ELLENDER. $9 billion. I remember it.

RELEASE OF DOLLARS IN EXCHANGE FOR GOLD SUPPLY DRAINAGE

Senator ROBERTSON. We have turned so many dollars loose in the world on the theory that there was a dollar shortage, and if we made dollars available, everybody could buy what they needed and they would be prosperous as we would be prosperous.

It started to come back to us in a drain in our gold supply. The Export-Import Bank made loans. The International Bank made loans, and loans that were no good we handled under our foreign aid program. That total, loan and gifts, amounts to how much since the United Nations Charter was ratified?

Mr. Deming. I don't have that figure.

Senator Robertson. Well over $110 billion and we are going to approve soon a continuation of it. Notwithstanding this serious balance-of-payments problems, the pending foreign aid program amounts to almost as much as the entire expenses of our Government when I was elected to Congress in 1932.

At that time we appropriated $4 billion. Now we are going to appropriate nearly $3.5 billion for foreign aid alone, and soon much more than that.

This is all tied in. As I say, this was just a little too much of a problem for one of our subcommittees to handle. It is just a little too much for me to say that $1 billion did not make too much of a difference, more or less.

"Let us throw it in and not have any hearings or anything else." So I respectfully say for your Chief to ask the full committee to hear it and please come up and give us your justification. We won't ask any adverse witnesses to come, if any, because of course Congress approved the general principle.

But we need to realize that this all ties into the general scope of a better world and it has not quite worked out like we hoped it would.

I had planned to ask a few questions about what we do when a nation does not pay, but I do not believe it is necessary—how much drain this is going to be on our gold supply, one thing or another. Eventually we have to go in full.

More Timely Administration Future Action Requested

Next time I hope the administration will start in time and not wait until an immediate demand faces them. Send the administration bill up here and let the chairman of this committee introduce it either as his bill or by request, and then we will have full hearings on what is involved.

That is all.

FUND ORIGINAL QUOTAS AND INCREASES OF ALL MEMBERS

Senator Ellender. I wonder if we could have the witness put in the record at this point the figures showing the gradual increase of this fund. This is the third time, I think.

Mr. Deming. This is the second time for a general quota increase. It is in the report of the National Advisory Council, and it would be easy to put in the record.

(The information referred to appears on p. 6.)

Senator Ellender. Also put in the record contribution made by all those who belong to it, particularly our rich friends from Western Europe. They are now in a better position than we were when this thing started.

They have gone up, we have gone a little down, but I presume that the percentage of contribution remains the same.

(The data referred to follows:)

Present International Monetary Fund quotas[1] *and proposed quota increases*

[In thousands of U.S. dollars]

Member country	Present quotas [1]	Proposed quota increases
Total	16,092,750	21,046,000
Afghanistan	22,500	29,000
Algeria	60,000	75,000
Argentina	280,000	350,000
Australia	400,000	500,000
Austria	75,000	[2] 175,000
Belgium	337,500	422,000
Bolivia	22,500	29,000
Brazil	280,000	350,000
Burma	30,000	38,000
Burundi	11,250	15,000
Cameroon	15,000	19,000
Canada	550,000	[2] 740,000
Central African Republic	7,500	10,000
Ceylon	62,000	78,000
Chad	7,500	10,000
Chile	100,000	125,000
China	550,000	690,000
Colombia	100,000	125,000
Congo (Brazzaville)	7,500	10,000
Congo (Léopoldville)	45,000	57,000
Costa Rica	20,000	25,000
Cyprus	11,250	15,000
Dahomey	7,500	10,000
Denmark	130,000	163,000
Dominican Republic	25,000	32,000
Ecuador	20,000	25,000
El Salvador	20,000	25,000
Ethiopia	15,000	19,000
Finland	57,000	[2] 125,000
France	787,500	985,000
Gabon	7,500	10,000
Germany, Federal Republic of	787,500	[2] 1,200,000
Ghana	55,000	69,000
Greece	60,000	[2] 100,000
Guatemala	20,000	25,000
Guinea	15,000	19,000
Haiti	11,250	15,000
Honduras	15,000	19,000
Iceland	11,250	15,000
India	600,000	750,000
Indonesia	165,000	207,000
Iran	70,000	[2] 125,000
Iraq	55,000	69,000
Ireland	45,000	[2] 80,000
Israel	50,000	[2] 90,000
Italy	500,000	625,000
Ivory Coast	15,000	19,000
Jamaica	20,000	25,000
Japan	500,000	[2] 725,000
Jordan	11,250	15,000
Kenya	25,000	32,000
Korea	18,750	24,000
Kuwait	50,000	63,000
Laos	7,500	10,000
Lebanon	6,750	9,000
Liberia	11,250	15,000
Libya	15,000	19,000
Luxembourg	15,000	19,000
Malagasy Republic	15,000	19,000
Malaysia	100,000	125,000
Mali	13,000	17,000
Mauritania	7,500	10,000
Mexico	180,000	[2] 270,000
Morocco	52,500	66,000
Nepal	7,500	10,000
Netherlands	412,500	520,000
New Zealand	125,000	157,000
Nicaragua	11,250	15,000
Niger	7,500	10,000
Nigeria	50,000	63,000
Norway	100,000	[2] 150,000
Pakistan	150,000	188,000

See footnotes at end of table, p. 32.

Present International Monetary Fund quotas [1] and proposed quota increases—Con.

[In thousands of U.S. dollars]

Member country	Present quotas [1]	Proposed quota increases
Panama	11, 250	15, 000
Paraguay	11, 250	15, 000
Peru	37, 500	47, 000
Philippines	75, 000	[2] 110, 000
Portugal	60, 000	75, 000
Rwanda	11, 250	15, 000
Saudi Arabia	72, 000	90, 000
Senegal	25, 000	32, 000
Sierra Leone	11, 250	15, 000
Somalia	11, 250	15, 000
South Africa	150, 000	[2] 200, 000
Spain	150, 000	[2] 250, 000
Sudan	45, 000	57, 000
Sweden	150, 000	[2] 225, 000
Syrian Arab Republic	30, 000	38, 000
Tanzania	25, 000	32, 000
Thailand	76, 000	95, 000
Togo	11, 250	15, 000
Trinidad and Tobago	20, 000	25, 000
Tunisia	22, 500	29, 000
Turkey	86, 000	108, 000
Uganda	25, 000	32, 000
United Arab Republic	120, 000	150, 000
United Kingdom	1, 950, 000	2, 440, 000
United States	4, 125, 000	5, 160, 000
Upper Volta	7, 500	10, 000
Uruguay	30, 000	38, 000
Venezuela	150, 000	[2] 250, 000
Vietnam	22, 500	29, 000
Yugoslavia	120, 000	150, 000

[1] As of Feb. 26, 1965.
[2] Including special increases totaling $870,000,000.

Source: International Monetary Fund.

Special Report on France

Senator Robertson. We also would like to have a special report on modern France. Have they paid their World War I or World War II debts, but are they hooking us for gold every time they turn around?

Mr. Deming. I agree with you on World War I debts, but they have prepaid their World War II debts.

Senator Robertson. Just World War I.

Mr. Deming. Yes.

Senator Robertson. They still owe us money we loaned them on the Marshall plan?

Mr. Deming. They are current on those payments and have prepaid.

(The report referred to follows:)

The World War I indebtedness of the Government of France due and unpaid as of June 30, 1964, was $4,497 million. Unmatured principal was $1,959 million.

Insofar as French World War II and postwar debt is concerned, obligations of the Government of France to the U.S. Government as of December 31, 1964, included $178.6 million under the Export-Import Bank lend-lease termination loan of 1945, $212.6 million on the lend-lease settlement of 1946, $201.5 million on the surplus property settlement of 1946, and approximately $4 million on loans made from the French franc counterpart of U.S. aid to France for the development of basic material projects in Morocco, Algeria, and Mauritania. The total obligation of the French Government (excluding World War I debts) was thus approximately $597 million.

The French have been servicing debts incurred after World War II regularly and have paid approximtaely $630 million in advance of the due dates.

French purchases of gold this year have been either the periodic type of adjustment of their reserve position which they made in both 1962 and 1963 or purchases in keeping with their announcement in January of their intention to convert further accumulations of dollars into gold on a regular basis. The French have indicated that they intend to hold only the dollars which they need for working balances and to cover their dollar-denominated debt. The recent special purchases have reduced French dollar holdings—acquired by the Bank of France from French residents who in turn obtained them in the course of normal commercial transactions between France and the rest of the world—to about $1 billion; $300 million to $400 million might be considered an adequate working balance. The outstanding debt of the French Government in U.S. dollars and to Canada (excluding World War I debts) is about $700 million.

Gold Quota Payment Effectuation

Senator Bartlett. Mr. Secretary, I am not quite clear on this gold. Is there a physical transfer?

Mr. Deming. A physical transfer in this sense. The gold will be put in the International Monetary Fund compartment at the Federal Reserve Bank of New York.

Senator Bartlett. The actual gold?

Mr. Deming. The actual gold, so that it is physically transferred, but it stays in the same building you might say.

Senator Ellender. But we do not have possession of it. It is just like the rest that we lost in the last 7 or 8 years. It is all in the hands of our rich friends from Western Europe.

Senator Bartlett. There are several ways we can increase our supply of gold, of course.

Senator Robertson. Let the Yukon pan us a little more.

I have no further questions.

Chairman Hayden. Thank you for your appearance.

Mr. Deming. Thank you, sir.

Justification

Chairman Hayden. The justification will be placed in the record at this point.

(The justification follows:)

"Funds Appropriated to the President

"International Monetary Fund

"Increase in Quota, International Monetary Fund

"To finance an increase in the quota of the United States in the International Monetary Fund, $1,035,000,000 to be available from June 2, 1965, and to remain available until expended."

Increase in Quota, International Monetary Fund

Program and financing

[In thousands of dollars]

	1965 actual	1965 estimate	1965 estimate
Program by activities: Increase in quota in International Monetary Fund		1,035,000	1,035,000
Financing: New obligational authority (appropriation)		1,035,000	1,035,000
Relation of obligations to expenditures:			
Total obligations (affecting expenditures)		1,035,000	1,035,000
Obligated balance, start of year			
Obligated balance, end of year		−776,250	−776,250
Expenditures		258,750	258,750

JUSTIFICATION

The Articles of Agreement of the International Monetary Fund were formulated at the Bretton Woods Conference in 1944. The Bretton Woods Agreements Act of 1945 (59 Stat. 512, as amended, 22 U.S.C. 286) authorized the President to accept membership in the Fund. As of May 15, 1965, the Fund had 102 members with total quotas of almost $16 billion. The Fund provides medium-term credit repayable in 3 to 5 years in convertible currencies or gold. It is a mutual financing agency from which members may draw foreign currencies to gain time for correcting their balance-of-payments situation without taking measures adversely affecting other countries.

Since February 1964, the United States has drawn $600 million in foreign currencies from the Fund. As of May 15, 1965, its net obligation to the Fund amounts to about $330 million since other countries have drawn the difference in dollars from the Fund during the same period. In earlier years, when the U.S. balance-of-payments position was strong, foreign countries borrowed dollars through the Fund in large volume. As foreign countries made net dollar repayments in the period 1957–63 the Fund absorbed more than $1 billion in dollars from foreign countries, thus easing our international financing problems and obviating calls on the U.S. gold stock.

The present U.S. quota in the Fund is $4,125 million, one-fourth of which the United States has paid in gold. Section 7(a) of the Bretton Woods Agreements Act (59 Stat. 514) provided for the payment of $1.8 billion of the U.S. original subscription of $2,750 million from the fund established by section 10(c) of the Gold Reserve Act of 1934 (48 Stat. 341, as amended, 31 U.S.C. 822(a)). Section 7(b) of the Bretton Woods Agreements Act provided that the remainder of the subscription, amounting to $950 million, be paid from the proceeds of securities issued under the Second Liberty Bond Act, as amended, as a public debt transaction. A 50-percent increase in the U.S. quota amounting to $1,375 million was authorized by the act of June 17, 1959 (73 Stat. 80, 22 U.S.C. 286e–1), which also authorized payment of the subscription from the proceeds of public debt transactions.

Authorizing legislation for this quota increase for which appropriation is requested was passed by the House of Representatives on April 27, 1965, and the Senate on May 24, 1965, thus completing congressional action. The increased U.S. subscription, amounting to $1,035 million, is part of a program calling for a general increase of 25 percent for all members and larger increases for 16 members; $259 million of our subscription will be paid in gold. In return for this payment the United States will receive a substantially equivalent reserve asset in the form of "gold tranche" automatic drawing rights on the Fund. The balance of $776 million will be committed in the form of a letter of credit to the Fund. This will not be drawn upon in the foreseeable future—that is until sometime after the U.S. balance-of-payments position has been corrected and present Fund dollar holdings, amounting to more than $3 billion, have been used.

COMMITTEE RECESS

Chairman HAYDEN. The witness will be excused so that the committee may proceed into executive session.

(Whereupon, at 11 a.m. Thursday, June 3, 1965, the committee recessed, to convene in executive session.)

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