A Secret IMF Proposal for Monetary Reform  
Urges Radical Changes

Washington—There’s no mystery about what’s holding up earnest talks on international monetary reform, Treasury Secretary John B. Connally contends. It is the lack of a “clue” to what other nations want.

But now more than a clue has appeared—it’s a fairly detailed proposal, in the form of a closely guarded internal memorandum of the 120-country International Monetary Fund.

The proposal, drafted by the IMF staff, is getting generally favorable attention as it circulates confidentially among embassies here and key finance ministries around the world. But by the authors’ own admission, it will strike some countries as “both radical and inconvenient.”

The country most likely to take that view is the U.S. because the IMF document includes the stern messages that the U.S.:

—Can no longer let dollars pile up abroad and must buy back dollars that flow out in the future with gold or other assets by definite deadlines.

—Should be as prepared as any other nation promptly to devalue the dollar again (or revalue upward) as conditions change.

—Should expect to see tens of billions of dollars now held by other governments turned in to the IMF—and gradually to buy them back.

—Must get over the ideas that other nations will be made to give up their balance-of-payments-surpluses and that gold will soon fade from its place as an international reserve asset.

What the IMF proposal omits may well be what makes it most objectionable to the Nixon administration. It leaves out any “sanctions” to pressure other nations into ridding themselves swiftly of payments surpluses so that the U.S. needn’t try too hard to wipe out its deficits.

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Even in the U.S., however, various elements of the IMF proposal are welcome in various quarters. Administration officials, though keeping quiet about it for fear of stirring currency-market speculation, generally concur that further dollar devaluations should be a relatively routine tool for improving trade balances in the future. Although the U.S. need not “agree with its every point,” the IMF document “is a good place to start” reform negotiations, says Democratic Rep. Henry Reuss, ... head of the international unit of the Joint Economic Committee. Some strategists add that the mechanics of this or almost any other known approach probably could work if other countries would take the trade, tax and other steps necessary to help the U.S. pull out of its perennial payments deficits.

The broad purpose of the IMF plan isn’t controversial. It seeks to replace the currency exchange system hastily worked out at the Smithsonian Institution in Dec., 1971 with one designed to last “for the next 15 to 20 years.”...

But the sense of urgency invoked by the IMF report is controversial, at least to the Nixon administration. The Smithsonian rules —under which other countries go on accumulating dollars without any promise of convertibility into gold or other assets—“do not reflect economic and political realities,” the report says. It warns that continuation of the present rules risks an unplanned “separation of the world into a number of currency blocs with ... attendant economic and political hazards.”...

The IMF ideas are “not dissimilar” to the British government’s views, a diplomat says; both emphasize a sharply declining role for the dollar in official international dealings. Instead of the U.S.’s or any other nation’s money, governments would use a souped-up model of the “special drawing rights” created by the IMF as the main form of international financial reserve.

The IMF proposal would go further than the British have gone in public statements, however. In something of a final stripping of privileged status from the dollar, the report suggests that even the dollar’s role as the main “intervention currency,” be ended...

Instead, the IMF tentatively proposes “symmetrical multicurrency intervention.”...