

ture has been followed on several occasions (frequently with the full-time Executive Director present) with satisfactory results.

Mr. Jacobsson apparently regards the fact that Directors are elected, as he says, "very much in a personal capacity" as a serious objection to their not being full-time at the headquarters of the Fund. The implication would appear to be that the countries electing them would not be satisfied to be represented during the greater part of the year by someone else, i.e. the Alternate. Now, it is true in a formal sense that when the Executive Directors are elected voting takes place for an individual, but essentially the process is one of (1) arranging voting blocs to secure the necessary number of votes and (2) voting for the candidate put forward by the largest country in each group, with some saw-off between directorships and alternateships and between representation on the Board of the Fund and on the Board of the Bank. Since no group of countries would be required under the Canadian proposal to be represented by a Director with national operating responsibilities, any group which decided to be so represented would presumably have come to the conclusion (already reached in certain cases) that their interests, including their over-all interest in the functioning of the Fund would be best served by the combination of the particular part-time Executive Director whose services would be available under his arrangement and the full-time Alternate.

The second objection raised by the Managing Director to the Canadian proposals is the difficulty in distinguishing between important and unimportant questions. This would not seem to be a difficulty that he is likely to continue to experience for very long. There have, as he points out, been an unusually large number of exchange transactions during the past five months but, with the exception of the U.K. drawing, they did not involve the adoption of any basically new policies by the Fund, though no doubt a good deal of pains-taking preparatory work on the part of the new Managing Director was needed. Indeed, his task in satisfying himself that the proposed drawings were proper ones for the Fund would undoubtedly have been easier if the drawing country had been represented by an Executive Director who had just come from home to negotiate the loan and who would be returning home to some job of responsibility. It would certainly be expected that "part-time" Executive Directors would go to the headquarters of the Fund to discuss a proposed drawing by their country. On the other hand, under the present arrangements, the Fund is in the unique position of lending large sums of money without it being necessary for the borrowing country to send a Treasury or central bank official to negotiate the loan, explain the country's policies and prospects, etc. Since last October the Fund has arranged credits or permitted drawings in amounts of \$1,300 million (U.K.), \$262 million (France), \$200 million (India), \$75 million (Argentina) and \$50 million (Belgium) without a single one of these cases establishing direct contact with the national authorities who will be responsible for the expenditure of the funds or for the policies which will determine whether repayment can be made.

The third objection raised by the Managing Director to our proposals is that his influence depends to a large extent on the "quality and authority of the Executive Directors". If this means that the Managing Director should exercise his influence mainly through a Board of full-time Directors resident in Washington, the view is one with which we are unable to agree. On the other hand, we would readily agree that the Managing Director's influence in national policies would be enhanced if the Executive Directors were, to a greater extent than now, persons who had some share in the formulation and execution of these policies — this indeed is one of the main objects of our proposals.

There seems to be some risk that underlying this last point raised by Mr. Jacobsson is an inward-looking conception of the role of the Fund, reflected in what we would regard as