as a revolving fund to meet the temporary needs of member governments for international reserves. Second, it was to be the supervisor of an international covenant which had as its purpose the development of harmonious international relations through restraint — mutually accepted by the members — in the use of exchange rate adjustments and exchange restrictions. During the early years of the post-war transitional period, the activities of the Fund, both as trustee and as supervisor, were somewhat restrained. This was partly because Marshall Plan aid was at that time available to meet the rehabilitation needs of many member governments, and partly because the Fund Agreement provided for a settling-down period during which various "earlier-imposed" exchange restrictions might, if necessary for balance of payments reasons, be retained. There were indications during 1951 and the first half of 1952, however, that the pace of activity in the Fund was gradually being accelerated.

Use of Fund's Resources

After an initial exchange transactions volume of $(U.S.)467 million in 1947, transactions dwindled to $208 million in 1948 and to $101 million in 1949. No transactions occurred during 1950, and a substantial part of the Fund's resources remained unused — apart from a small drawing from Brazil — when, in the spring of 1951, the Executive Board of the Fund began a review of the Fund's policy on exchange transactions.

Under the Fund's procedure, when a member purchases from the Fund another member's currency, it pays in to the Fund the equivalent amount of its own currency and the transaction may accordingly increase the Fund's holdings of the purchasing member's currency in excess of its quota. The greater the excess and the longer it lasts, the higher the interest rates. In addition, the Fund makes a flat service charge for all transactions.

By the fall of 1951, several changes had emerged as a result of the review conducted by the Executive Board. In an effort to encourage short-term drawings, the customary transaction charge of three quarters of one per cent was reduced to one-half of one per cent, and instead of commencing to pay interest at the end of three months, the member drawing the first 25 per cent of its quota was given a six-month interest-free use of the Fund's resources.

The interest rate was, however, to be increased by one-half of one per cent semi-annually instead of annually, as had previously been the case, so that increased pressure to repurchase the amount drawn within a reasonable time was a feature of the new arrangement. Other steps towards an accelerated use of the Fund's resources took place in February 1952 when the Board of Executive Directors adopted some modifications to the exchange transaction procedure. In effect, the Fund announced that in future drawings upon the Fund's resources were to be repurchased within three to five years. The Fund also indicated that it would be prepared to arrange special short-run drawings in which the repurchase would be expected to occur in a period not exceeding 18 months. Although it is too early to know whether these modifications will materially affect the use