

HANDFUL OF MAJOR COUNTRIES. THERE HAS BEEN A GROWING RECOGNITION THAT THIS SYSTEM IS INADEQUATE IN TODAY'S WORLD. A NUMBER OF AD HOC ARRANGEMENTS HAVE BEEN DEvised IN RECENT YEARS WHICH HAVE SUCCEEDED IN SHORING UP THE SYSTEM WHEN IT WAS THREATENED BY SUDDEN SHOCKS. BUT BASICALLY IT WAS FELT THAT THE INTERNATIONAL MONETARY SYSTEM NEEDED TO BE STRENGTHENED BY IMPROVING A FACILITY FOR THE DELIBERATE CREATION OF RESERVES. THE OUTLINE OF THE SCHEME WHICH WAS APPROVED IN RIO PROVIDES FOR THIS PURPOSE. IT WILL GIVE THE FUND A SEPERATE AND MAJOR NEW TASK--TO SUPPLY THE WORLD WITH THE AMOUNT OF RESERVES THAT THE INTERNATIONAL FINANCIAL COMMUNITY WILL JUDGE TO BE NECESSARY. THE BREADTH OF MEMBERSHIP OF THE FUND ENSURES THAT THE REGULATION OF THE SUPPLY OF LIQUIDITY IN THE WORLD WILL BE RESPONSIVE TO THE NEEDS OF THE WHOLE SYSTEM. THE AMOUNTS ACTUALLY TO BE CREATED WILL BE DECIDED LATER FOR A FIVE-YEAR PERIOD ON THE BASIS OF THE ANTICIPATED OVERALL NEEDS OF MEMBER COUNTRIES AND THE ACTUAL AND PROSPECTIVE SUPPLY OF GOLD AND RESERVE CURRENCIES.

I SHOULD ADD, HOWEVER, THAT THE ESTABLISHMENT OF THE NEW FACILITY WILL NOT BE A UNIVERSAL PANACEA. IF COUNTRIES PERSISTENTLY MISMANAGE THEIR OWN ECONOMIES, EVEN THE MOST PERFECT MANAGEMENT OF THE SUPPLY OF INTERNATIONAL LIQUIDITY WILL NOT SHIELD THEM OR THEIR TRADING PARTNERS FROM THE CONSEQUENCES. BALANCE OF PAYMENTS DISTURBANCES ARE MANIFESTATIONS OF SUCH MISMANAGEMENT. THE IMPROVED MANAGEMENT OF INTERNATIONAL LIQUIDITY WILL CONTRIBUTE TOWARDS AN ENVIRONMENT FAVOURABLE TO APPROPRIATE ADJUSTMENT OF