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Calendar No. 1081

...CONGRESS ... Session } SENATE { REPORT No. 94–1148

...NDMENT OF THE BRETTON WOODS AGREEMENTS ACT

AUGUST 10, 1976.—Ordered to be printed

...r. SPARKMAN, from the Committee on Foreign Relations, submitted the following

REPORT

[To accompany H.R. 13955]

...Foreign Relations, to which was referred the ...ide for amendment of the Bretton Woods ...purposes, having considered the same, ...ment and recommends that the ...

Public Law 94-564
94th Congress

An Act

Oct. 19, 1976
[H.R. 13955]

To provide for amendment of the Bretton Woods Agreements Act, and for other purposes.

Bretton Woods Agreements Act, amendments.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Bretton Woods Agreements Act (22 U.S.C. 286-286k-2) is amended by adding at the end thereof the following new sections:

22 USC 286e-5.
60 Stat. 1401.

"Sec. 24. The United States Governor of the Fund is authorized to accept the amendments to the Articles of Agreement of the Fund approved in resolution numbered 31-4 of the Board of Governors of the Fund.

22 USC 286e-1e.

"Sec. 25. The United States Governor of the Fund is authorized to consent to an increase in the quota of the United States in the Fund equivalent to 1,705 million Special Drawing Rights.

22 USC 286e-6.

"Sec. 26. The United States Governor of the Fund is directed to vote against the establishment of a Council authorized under Article XII, Section 1 of the Fund Articles of Agreement as amended, if under any circumstances the United States' vote in the Council would be less than its weighted vote in the Fund.".

Sec. 2. Section 3 of the Bretton Woods Agreements Act (22 U.S.C. 286a) shall be amended as follows:

(1) section 3(c) shall be amended to read as follows:

"(c) Should the provisions of Schedule D of the Articles of Agreement of the Fund apply, the Governor of the Fund shall also serve as councillor, shall designate an alternate for the councillor, and may designate associates.";

(2) a new section 3(d) shall be added to read as follows:

"(d) No person shall be entitled to receive any salary or other compensation from the United States for services as a Governor, executive director, councillor, alternate, or associate.".

Sec. 3. The first sentence of section 5 of the Bretton Woods Agreements Act (22 U.S.C. 286c) is amended to read as follows: "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(a), of the Articles of Agreement of the Fund; (b) propose a par value for the United States dollar under paragraph 2, paragraph 4, or paragraph 10 of schedule C of the Articles of Agreement of the Fund; (c) propose any change in the par value of the United States dollar under paragraph 6 of schedule C of the Articles of Agreement of the Fund, or approve any general change in par values under paragraph 11 of schedule C; (d) subscribe to additional shares of stock under article II, section 3, of the Articles of Agreement of the Bank; (e) accept any amendment under article XXVIII of the Articles of Agreement of the Fund or article VIII of the Articles of Agreement of the Bank; (f) make any loan to the Fund or the Bank; (g) approve the establishment of any additional trust fund, for the special benefit of a single member, or of a particular segment of the membership, of the Fund.".

SEC. 4. The first sentence of section 17(a) of the Bretton Woods Agreements Act (22 U.S.C. 286e-2(a)) is amended to read as follows: "In order to carry out the purposes of the decision of January 5, 1962, of the Executive Directors of the International Monetary Fund, the Secretary of the Treasury is authorized to make loans, not to exceed $2,000,000,000 outstanding at any one time, to the Fund under article VII, section 1(i), of the Articles of Agreement of the Fund.". 60 Stat. 1401.

SEC. 5. The Special Drawing Rights Act (22 U.S.C. 286n-r) is amended by: 22 USC 286o.

(1) deleting "article XXIV" in section 3(a) and inserting in lieu thereof "article XVIII";

(2) deleting "article XXVI, article XXX, and article XXXI" in section 3(b), wherever it appears, and inserting in lieu thereof "article XX, article XXIV, and article XXV";

(3) deleting "article XXIV" in section 6 and inserting in lieu thereof "article XVIII"; 22 USC 286q.

(4) deleting "article XXVII(b)" in section 7 and inserting in lieu thereof "article XXI(b)". 22 USC 286r.

SEC. 6. Section 2 of the Par Value Modification Act (31 U.S.C. 449) is hereby repealed. Repeal. 31 USC 449.

SEC. 7. Section 10(a) of the Gold Reserve Act of 1934 (31 U.S.C. 822a(a)) is amended to read as follows:

"SEC. 10. (a) The Secretary of the Treasury, with the approval of the President, directly or through such agencies as he may designate, is authorized, for the account of the fund established in this section, to deal in gold and foreign exchange and such other instruments of credit and securities as he may deem necessary to and consistent with the United States obligations in the International Monetary Fund. The Secretary of the Treasury shall annually make a report on the operations of the fund to the President and to the Congress.".

SEC. 8. Section 14(c) of the Gold Reserve Act of 1934 (31 U.S.C. 405b) is amended to read as follows: "The Secretary of the Treasury is authorized to issue gold certificates in such form and in such denominations as he may determine, against any gold held by the United States Treasury. The amount of gold certificates issued and outstanding shall at no time exceed the value, at the legal standard provided in section 2 of the Par Value Modification Act (31 U.S.C. 449) on the date of enactment of this amendment, of the gold so held against gold certificates.".

SEC. 9. The amendments made by sections 2, 3, 4, 5, 6, and 7 of this Act shall become effective upon entry into force of the amendments to the Articles of Agreement of the International Monetary Fund approved in Resolution Numbered 31-4 of the Board of Governors of the Fund. 22 USC 286a note.

Approved October 19, 1976.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 94-1284 (Comm. on Banking, Currency, and Housing).
SENATE REPORTS: No. 94-1148 (Comm. on Foreign Relations) and No. 94-1295 (Comm. on Banking, Housing and Urban Affairs).
CONGRESSIONAL RECORD, Vol. 122 (1976):
June 22, July 27, considered and passed House.
Oct. 1, considered and passed Senate.
WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 12, No. 43:
Oct. 21, Presidential statement.

Calendar No. 1081

94TH CONGRESS 2d Session } SENATE { REPORT No. 94-1148

AMENDMENT OF THE BRETTON WOODS AGREEMENTS ACT

AUGUST 10, 1976.—Ordered to be printed

Mr. SPARKMAN, from the Committee on Foreign Relations, submitted the following

REPORT

[To accompany H.R. 13955]

The Committee on Foreign Relations, to which was referred the bill (H.R. 13955) to provide for amendment of the Bretton Woods Agreements Act and for other purposes, having considered the same, reports favorably thereon with amendment and recommends that the bill as amended do pass.

PURPOSE OF THE BILL

The purpose of the bill H.R. 13955 is threefold. First, the bill authorizes the U.S. Governor of the International Monetary Fund (IMF) to sign for the United States the amended Articles of Agreement of the Fund. The new amendment IMF Articles of Agreement are printed in House of Representatives document no. 94-447. (The corresponding pages of the old Articles of Agreement are printed on the opposing pages of the House document.) Second, the bill authorizes an increase in the United States quota to the IMF by 1,705 million Special Drawing Rights (SDR) or approximately $2 billion with the SDR valued at 1 SDR--$1.16 U.S. Third, H.R. 13955 amends three other acts of relevant financial legislation to reflect the changes in the amended IMF Articles of Agreement.

COST OF THE BILL

There are no budgetary implications in this bill. The expansion of the U.S. quota at the IMF is treated as an exchange of assets between the Fund and the U.S. Government. Such an exchange must be authorized but not appropriated since there is no uncompensated expenditure of fiscal resources.

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Historical Background

The international monetary system as it has been experienced over the last three decades in the creation of the Bretton Woods Conference in 1944. The conference agreement was authorized by the United States and the United Kingdom. The objective of the system was to provide financial stability in international markets. This was achieved by fixing exchange rates, by setting an official price for gold, by guaranteeing the conversion into gold of major currencies, and by forming the IMF to oversee the system and provide it with the credit facilities to stabilize the currencies of countries having balance of trade difficulties.

The dissolution of the monetary system created by the Bretton Woods Agreements can be traced to the early 1960s. The monetary system during this time period made a de facto transition from a "gold standard" to a dollar standard. The continuing annual balance of payments deficits of the United States, which were seen as a blessing in the 1950s when the new post-war monetary system was starved for liquidity, produced a dollar glut abroad by the early 1960s. There were more dollars abroad than the U.S. had gold. The U.S. commitment to redeem international dollars for gold became a physical impossibility. The reality of dollar convertibility ended. The strength of the dollar and the U.S. economy became the base for the system, as major trading countries were forced to hold their international monetary reserves in dollars.

Continuing U.S. balance of payments deficits through the 1960s meant the U.S. was providing more monetary paper for the real resources it bought from abroad. The dollar was overvalued in relation to other major currencies. The inflation generated by the Vietnam War expenditures further accelerated both the flow of dollars abroad and the overvaluation. However, during the 1960s, devaluation of the dollar was not politically acceptable in the United States nor desired abroad by our trading partners. A number of actions during the 1960s marked the U.S. efforts to help relieve pressures on the monetary system. The interest equalization tax (IET) and regulations on capital flows were instituted. Military offset agreements were negotiated. Agreements were made between the largest 10 countries on gold holdings, the price of gold and foreign dollar holdings. A system of currency swap arrangements between the major central banks came into being to help stem short-term speculative flows against major currencies. U.S. Export-Import Bank activities were expanded in the hopes of reducing the deficit and the domestic international sales corporation (DISC) authorized to further stimulate exports.

By the late 1960s, major pressures were building for change. The monetary system was not serving the objectives of major interest groups. The Europeans became sensitive to U.S. purchases of European firms with overvalued dollars. U.S. labor felt that jobs were being shipped abroad at the same time that imports were competing easily with domestic production because of the overvalued dollar. U.S. exporters were losing overseas markets and finding it difficult to compete with European firms in third country markets. Studies by the OECD (Organization for Economic Cooperation and Development)

began to show that under a fixed exchange rate system, the U.S. had exported to Europe and the world its own inflation. The Europeans argued that the dollar had two functions, one as a domestic currency and one as an international currency. The United States was accused continually of opting for domestic political considerations rather than fulfilling its international responsibilities as a reserve currency country.

The system had been faltering for a decade, but the benchmark date of the collapse is put at August 15, 1971. On this day, President Nixon reversed U.S. international monetary policy by officially declaring the non-convertibility of the U.S. dollar into gold and unilaterally imposing a 10 percent surcharge on all imports. The latter act represented a 10 percent devaluation of the dollar. The August 15 declaration led to the Smithsonian Agreement of December, 1971, which realigned the exchange rates between the dollar and other major currencies in the world. As part of the agreement, the dollar was devalued by 8 percent in relation to gold, while such currencies as the Deutsche mark and the Japanese yen were appreciated substantially.

The Smithsonian Agreement was an attempt to hold together the monetary system under the Bretton Woods structure of fixed exchange rates and currencies denominated in gold at official prices. But economic pressures in the United States, in the face of continuing balance of payments deficits, forced the United States to unilaterally devalue again by 10 percent in January, 1973. This devaluation signaled the end of the Smithsonian Agreement and the demise of the fixed rate exchange of Bretton Woods. By March of 1973, all of the major trading nations, with few exceptions, were floating their currencies and allowing world exchange markets to set currency values. While sanctioned by the IMF, the float was in technical violation of the Bretton Woods Agreements and the Articles of the International Monetary Fund.

The 1973 float of currencies eventually ended IMF efforts to structure a new monetary system on the principle of fixed exchange rates. The focus of reform was redirected to structuring a new system reflecting the realities of the floating rates. During the summer of 1974, the Interim Committee of the IMF was formed to negotiate this change. The major industrialized countries are represented directly on the Committee, with other members of the IMF selecting representatives that each represent a group of countries. The representatives are of ministerial rank. The Interim Committee was set up with the basic idea that the finance ministers have the capacity to make the political decisions necessary to reach the compromises needed to form a consensus on the shape of a new international monetary system.

There were three major issues facing the Interim Committee when it began negotiations in September 1974. These three issues were: the future role of gold in the new monetary system, the changes in the IMF quota structure to reflect the changes in economic wealth in the world, and the structure of the exchange rate system in the new monetary system.

The basic political compromise on the issue of gold was reached between the French and Americans at the bilateral summit meeting in

Martinique, December, 1974. President Ford met with President Giscard d'Estaing, with finance ministers William Simon and Jean-Pierre Fourcade present. The agreement, accepted by the Interim Committee in August, 1975, abolished an official price for gold, allowed each nation to value its gold reserves at market price if it so wished, and advocated the sale of IMF gold assets. It seemed to indicate substantial withdrawal by the French from their long-held position that gold should remain central to the monetary system. Yet it is argued by some that the agreement may allow gold actually to come back into the system in the future. The United States advocates that the Special Drawing Right (SDR) replace gold in the system. The U.S. also surfaced the proposal at Martinique that the IMF might sell a portion of its gold, the profits from the sale being placed in a fund to be used by less developed countries to help with special balance of payment problems. This proposal evolved into the idea of the new IMF Trust Fund.

The second question before the Interim Committee, that of changing quotas in the IMF, was approved on August 31, 1975, at the Committee's meeting in Washington, D.C. It was decided to expand the total quotas of the IMF by one-third. Almost all countries will increase their quotas by an absolute amount but a limited number of countries will increase their quotas by a larger percentage than others. This will result in a change in the relative percentage of national participation in the IMF. The most significant relative increase in participation was an expansion of the OPEC (oil-exporting) nations' percentage from 5 percent to 10 percent, with the U.S. and other OECD nations reducing their cumulative percentage by 5 percent.

On the third issue—exchange rates—the main differences were between the French position advocating fixed rates and the American position promoting floating rates. The issue was not resolved at the September, 1975, IFM/IBRD meeting, but a consensus was reached among the industrial countries that if the French and the Americans could solve their differences, the others would accept the compromise. Accordingly, the U.S. took advantage of the opportunity to work with the French to design the foundation of the new international monetary system. The drafting was carried on in relative secrecy until the French-U.S. agreement surfaced at the November, 1975, economic summit conference at Rambouillet, France. The other countries attending Rambouillet had no previous knowledge of the document, although they were cognizant of the French-American negotiating effort.

The negotiations began with both countries committed to the same objective, the reestablishment of stability in the international monetary system. It was the French belief that this stability could be imposed by the central governments. The Americans countered with the argument that the central governments did not have the resources to stabilize the market without each economy reaching its own internal equilibrium. The French came to accept this position.

The actual document still remain classified as secret. However, U.S. Treasury Under Secretary for Monetary Affairs, Edwin Yeo, III, dis-

cussed the contents of the document as follows before the Senate Foreign Relations Committee on June 22, 1976:

> The understandings at Rambouillet came in two forms: one, an agreement between the French government and ourselves which dealt with our mutual perception of the shape of international monetary reform. In other words, we had a number of points on which we had been unable to agree, and the understanding dealt with those disagreements.
>
> The second aspect of the understanding of Rambouillet involves, again between the French and ourselves, an agreement to collaborate to (sic) consult between Treasuries and central banks regarding exchange rate developments—specifically an agreement to counter disorderly market conditions, which has been our policy for some time.
>
> The other participants at Rambouillet associated themselves not with the understanding per se, but with the communique which came out of that understanding . . .

While it is publicly known that the agreement contained a working draft of the key compromise on a new Article IV of the IMF Articles of Agreement, the second aspect of the Rambouillet Agreement mentioned by Under Secretary Yeo has received minimal public attention. From his statement, it must be concluded that a process involving [illegible]ional treasuries and central banks has been put into place to oversee [illegible] management of the new monetary system. The Rambouillet Agreement, therefore, takes on a longer term significance than just a compromise on the issue of the structure of the exchange rate system.

The Rambouillet compromise on the structure of the exchange rate system formally was accepted by the other members of the IMF at the Interim Committee meeting in January, 1976, in Kingston, Jamaica. With this key decision made, it was possible for the Governors of the Fund to vote on resolutions expanding quotas and accepting the amendments to the Articles of Agreement. The amended agreements enter into force upon signature of three-fifths of the members having four-fifths of the weighted voting power.

The Secretary of the Treasury, as U.S. Governor of the Fund, cast a favorable vote on the quota resolution in March, 1976, and a favorable vote on the amendment resolution in April, 1976. These votes did not constitute acceptance by the United States of the resolutions. Under Section 5 of the Bretton Woods Agreements Act, Congressional authorization is necessary prior to U.S. acceptance of amendments to the Articles of Agreements or of the expansion of quotas. The necessary legislation was transmitted to the Congress and introduced on May 19, 1976, in the Senate as S. 3454 and on May 21, 1976 in the House as H.R. 13955.

Committee Action

The bill to amend the Bretton Woods Agreements, S. 3454, was introduced (by request) by Senator Sparkman on May 19, 1976. The Committee held two days of hearings on S. 3454. On June 22, 1976, the [illegible]mittee heard Under Secretary of the Treasury Edwin H. Yeo III. Senator Sparkman also introduced into the record a letter in support

of the bill on behalf of the Atlantic Council from former Secretary of the Treasury Henry Fowler. On June 29, 1976, the Committee invited a panel of three Brookings Institution economists to comment on the implications of S. 3454: Edward R. Fried, William Cline and Philip H. Trezise. The Committee also took testimony from Eugene A. Birnbaum, Vice President and Chief Economist of the First National Bank of Chicago and Patrick M. Borman from the Institute for Economic and Legal Analysis in New York City. The Committee held the record of the hearings open for two weeks for those parties who wished to submit statements for the record. Statements were received from Deputy Assistant Secretary of State for International Finance and Development Paul H. Boeker and from Irving S. Friedman from Citibank of New York City.

On July 27, 1976, the House of Representatives passed H.R. 13955 by a vote of 289 yeas and 121 nays, and that bill was referred to the Committee on Foreign Relations on the following day. The Committee took H.R. 13955 under consideration on August 3, 1976. The staff reviewed for the Committee the House amendments. These amendments are identified in the section-by-section analysis of the bill. The Committee had no objection to the House amendments except for one technical point which was amended.

The technical amendment was made to Section 5 of the Bretton Woods Agreements Act. Section 5 specifies certain actions which neither the President nor any person or agency can take on behalf of the United States unless authorized by Congress. The House amended Section 5 by adding paragraph (g) which prohibits U.S. approval of the establishment of any additional trust fund at the IMF which would provide special benefits to a single member or group of members. This language limited the U.S. Governor from approving IMF management of national trusts without Congressional approval. Such services are authorized under Article V, Section 2(b) of the IMF Articles of Agreement. The Committee amended this amendment by inserting the phrase "whereby resources of the International Monetary Fund would be used." This phrase makes it clear that the amendment deals with IMF financial resources and not national or multinational resources being managed by the IMF on a contractual basis. The amendment has the approval of the Department of the Treasury.

The Committee further amended H.R. 13955 on a motion by Senator Charles Percy by inserting a new Section 4. Section 4 adds a new subsection (b) to section 14 of the Bretton Woods Agreements Act which would require the President, upon the request of a Congressional committee with proper jurisdiction, to transmit promptly to such committee any "appropriate" information furnished to any United States department or agency by any international financial institution or economic organization of which the United States is a member. The quoted word was an amendment to Senator Percy's amendment and carries special significance as later noted.

The Committee believes that this amendment will improve Congressional oversight with regard to United States participation in the international monetary system. More effective oversight is required by the change to floating exchange rates. In the past, under the system of par values or set rates, exchange management was carried out by

means of controls over trade, financial flows, offset payments, and other activities requiring Congressional approval. The move to floating rates has eliminated many such oversight tools, however, while at the same time increasing the need for reliable information on how well the new system is functioning. Growing economic interdependence has added to that need.

The provision also strengthens Congressional oversight over United States foreign economic policy. The staffs and secretariats of the international economic institutions and organizations produce significant economic research on national economies and international economic issues which they distribute to their members. This information is available to the Executive Branch and it is the opinion of the Committee that it should be available to the appropriate legislative committees of Congress.

The provision should not create constitutional difficulties. It requires the transmittal only of "appropriate" information. It would not require the transmittal of confidential communications between departments or agencies of the Executive Branch. Rather, it relates to information furnished the Executive Branch by external sources. In this regard, it is roughly analogous, constitutionally, to the "Case Act", which requires the transmittal to the Congress of international agreements to which the United States is a party.

The Committee recognizes that there will be cases where the appropriate information involved may be sensitive. But it notes that such information is now disseminated to 20 directors of the IMF representing over 100 countries. Access to such information, most Committee members believe, is essential for the proper performance of legislative functions. Nothing in this provision is to be construed as limiting any Committee's subpoena power.

A portion of Senator Percy's proposal which would have imposed criminal penalties for unauthorized disclosure of sensitive information was dropped because of uncertainty regarding its effect on activities protected by the Speech or Debate Clause, Article I, Section 6, clause 1 of the Constitution. Such action was taken, however, without prejudice to consideration of a penalties provision on the Senate floor.

During its consideration of this amendment, the Committee heard the testimony of Mr. Sam Y. Cross, U.S. Executive Director of the IMF. Mr. Cross expressed concern over the amendment, especially the transfer of highly sensitive economic information to Congress.

Thereafter, the Committee by voice vote and without dissent on August 3 passed H.R. 13955 as amended and ordered it reported favorably to the Senate.

Section by Section Analysis of H.R. 13955, as Amended

H.R. 13955 passed the House of Representatives on July 27, 1976, and was referred to the Senate on July 28, 1976. The bill—which replaces S. 3454—as amended in the House and by the Committee on Foreign Relations, has ten sections. The first five sections of H.R. 13955 amend the Bretton Woods Agreements Act, the next four sections amend other relevant legislation, and the last section deals with the date the amendment will become effective.

The first section of H.R. 13955 amends the Bretton Woods Agreements Act by adding Sections 24, 25 and 26 to the Act. Section 24 is the key section. It authorizes the U.S. Governor of the International Monetary Fund, the Secretary of the Treasury, to accept the amendments to the Articles of Agreement of the Fund. These amendments to to Articles are contained in the IMF Board of Governors resolution 31–4. It is this document that contains the provisions that move the exchange rate system from a fixed rate system to a floating rate system, substantially reduce the role of gold in the international monetary system, expand the quotas of the Fund by 33.6 percent, establish a Trust Fund and more lenient access to the Fund's resources, and modernize the operations of the Fund to include authority to create a Fund Council. The Council would be composed of finance ministers and would replace the current Interim Committee.

Section 25 specifically authorizes the increase in the U.S. quota in the IMF. The increase is 1,705 million Special Drawing Rights (SDR) or approximately $2 billion. The SDR value is based on an average daily value of 16 international currencies and fluctuates daily. Presently, the U.S. quota is SDR 6,700 or approximately $8 billion. The U.S. quota expansion is less than the general one-third expansion of the Fund's resources, therefore the U.S. percentage in the Fund drops from 22.93 percent to 21.53 percent. Roughly every five years since 1958–59, the Fund's resources have been increased to keep in step with the growth of international monetary resources and trade. This one-third increase is the fourth expansion.

Section 26 was added on the floor of the House of Representatives. It instructs the U.S. Governor to the IMF to vote against the formation of the new IMF Council if the Council will not follow the practice of weighted voting. Weighted voting provisions of the Fund are stated in Article XII, Section 5. They apply to all organs of the Fund and all votes. The addition of Article 26 has the effect of expressing the sentiment of the Congress that weighted voting in the Council is desirable.

Section 2 of H.R. 13955 was inserted by House Committee action and amends Section 3 of the Bretton Woods Agreements Act. Section 3 deals with the "Appointment of Governors, Executive Directors, and Alternates." The amendment anticipates the formation of the IMF Council by stipulating that if the Council is formed, the U.S. Governor of the Fund will serve as Councilor and have the authority to designate an alternate and associates. The second part of the amendments prohibits the Councilor, his alternate or associates from receiving salary or other compensation from the U.S. Government. This is standard language for all U.S. legislation on international financial institutions. The U.S. Secretary of the Treasury receives no compensation for representing the United States. The other positions are paid by the institution. The provision prohibits double salary payments.

The third section is a House provision which amends Section 5 of the original Act. Section 5 prohibits specific acts of the Executive Branch without prior Congressional authorization. H.R. 13955 amends Section 5 by adding part (g). Part (g) will prohibit the U.S. Governor to vote for the establishment of any new trust funds at the IMF without the prior approval of the Congress. The amendment reflects House sentiment that the Trust Fund, with its concessional lending

to specified poor members, is an economic aid mechanism and past U.S. Executive support for such a fund without the consent of Congress has been seen as a circumvention of Congressional authority. Similar concerns have been expressed in the U.S. Senate. The Committee on Foreign Relations amended the House amendment, inserting a technical phrase allowing the U.S. Governor to vote without Congressional authority on trust funds that might be managed by the IMF but would not include financial resources of the Fund. This initiative is explained fully in the section of this report titled Committee Action.

The Committee amended H.R. 13955 to insert a new Section 4 and consecutively renumbered House sections 4 through 9 to 5 through 10. Section 4 amends Section 14 of the Bretton Woods Agreements Act by designating the present language of Section 14 as paragraph "(a)" and adding a new paragraph lettered "(b)". The new paragraph provides legislative authority for the committees of Congress with legislative jurisdiction over international financial institutions or economic organizations to request from the President that he furnish any appropriate information provided by these institutions or organizations to any department or agency of the United States Government. The intent of the Committee in amending the legislation in this manner is explained in the section of this report entitled "Committee Action."

Section 5 of the bill, reflecting House Committee action, amends Section 17(a) of the Bretton Woods Agreements Act. The section deals with U.S. obligations under the 1962 General Agreements to borrow. The amendment changes the IMF Article reference to the appropriate paragraph in the new IMF Articles. It also deletes the last sentence of 17(a) which stated that any loan must take into consideration the U.S. balance of payments and reserve position. This provision was logically consistent with a fixed exchange rate system where reserves were needed to defend the par value of the dollar. Under a floating rate system, the reserves play a much smaller role in the adjustment mechanism.

Section 6, dealing with amendments to the Special Drawing Rights Act, and Section 7, dealing with the par Value Modification Act, contain a series of technical amendments that change appropriate references from the old IMF Articles of Agreement to the new amended Articles, or delete language that is inconsistent with the new Articles.

Sections 8 and 9 reflect House amendments to the Gold Reserve Act of 1934. These are technical amendments, with the exception of the amendment of Section 10(a). Section 10(a) of the present Act authorizes the Secretary of the Treasury to use the resources of the Exchange Stabilization Fund (ESF) "for the purposes of stabilizing the exchange value of the dollar." The amendment deletes this language since under the amended IMF Articles of Agreement there is no obligation to stabilize the dollar at a par value. The new language directs the Secretary of the Treasury to use the ESF "as he may deem necessary to and consistent with the United States obligations in the International Monetary Fund."

Section 10 of the bill states that the amendments made in Section 2, 3, 5, 6, 7, and 8 of the bill will become effective upon entry into force of the amendments to the IMF Articles of Agreement.

Implications of the Amendments to the Bretton Woods Agreements Act

The amended Bretton Woods Agreements Act authorizes the United States Governor of the IMF to accept the amended IMF Articles of Agreement and authorizes the expansion of the U.S. IMF quota. Authorizing these two actions will have a broad impact in five major areas of the international monetary system: the exchange rate system, the role of gold in the system, the expansion of IMF quotas, the expansion of access to IMF resources, and the formation of the IMF Council. In discussing these five areas, it is important to realize that the amendments of the IMF Articles and the expansion of quotas were negotiated as one package. The compromises which made this package a reality took place over a two-year period. They were achieved among the industrial nations, as well as between the industrial nations and the developing countries. The package is the result of both economic and political craftsmanship. It is the opinion of the Committee that the basic U.S. negotiating objectives were achieved and U.S. national interests protected.

Exchange Rate System

Of all the changes in the Fund, the agreement sanctioning the floating exchange rate system is the most significant. Moving to a floating exchange rate for international commerce means that private enterprises and not the central governments bear the risk of currency fluctuations. It also means that trade restrictions such as fixed tariff schedules are of less importance, since the exchange rate should compensate to a degree for these impediments. Variable tariffs and non-tariff barriers will remain as effective impediments to trade. It is also felt by some that floating rates will complicate domestic monetary policy because interest rate changes may affect international capital flows which, in turn, will affect exchange rate levels.

The negotiations on the exchange rate structure centered on how the system would be managed, not whether the system would be managed. A fixed rate system is managed by direct government involvement in the money markets, as well as by controlling certain items in the balance of payments that affect the demand and supply of a currency on foreign currency markets. A floating system is managed by individuals in the market responding to economic stimuli that influence decisions to buy or sell foreign currency. These incentives register themselves through price or interest rates. In the first case, the central government provides guidance to the market. In the second case, this guidance is provided by forces in the market which encourage or inhibit economic activity. Adjustment takes place in the exchange rate and the national economy rather than through government regulation of trade or capital flows. Governments enter the foreign exchange market only to stabilize the market in cases of erratic fluctuations.

The exchange rate decision that is incorporated in the amendment to Article IV of the IMF charter is not a straightforward declaration. The article in fact allows for the simultaneous existence of numerous systems of exchange rates. It does not state that a floating system is

authorized but implicitly states that the system presently in force is sanctioned. It also states that on the vote of 85 percent of the members' quotas, the IMF can return to a fixed exchange system. The agreement allows coordinated floats such as the European "snake", as well as tied floats where one currency is fixed to another that is floating. For example, Mexico could affix its currency to the dollar. Its exchange rate with the dollar would remain constant while its exchange rate with other major currencies would float as these currencies floated against the dollar. The wording very effectively allows all parties in the proceeding to save face. Its central importance for the U.S. position is that the present floating system is sanctioned and the U.S. has veto power over any move to adopt another system.

To help assure that governments do not secretly enter the foreign exchange market to influence the exchange rate of national currencies, the IMF members have accepted the following obligations. First, all nations commit themselves to foster domestic economic policies which assure reasonable price stability and which assure a monetary system reasonably free of erratic disruptions. Secondly, all nations pledge not to manipulate exchange rates other than short-term market action to stabilize market disruptions. The success of the effort will rely on the integrity of the countries involved to live by the spirit of the agreement.

The Role of Gold

The compromise on the future role of gold in the monetary system [illegible]s reached, except for some decisions on beneficiaries of distributions, at the August 1975, IMF Interim Committee meeting. The decision was to remove gold from the international monetary system. It has long been reasoned that gold is not a good "numeraire" for the system. There are many long dissertations on this issue, but the basic argument is that the supply of gold is determined by factors outside the monetary system. Liquidity in relation to the needs of the system is critical for its stable operation. In the past, gold supply has not kept pace with the need for international liquidity. Furthermore, the use of gold as a central part of the system favors those nations with large reserves, mainly South Africa and the Soviet Union. Finally, there are competing uses for gold as a commodity, the demand for which influences the structure of the monetary system—an influence that is not seen as productive.

To remove gold from the international monetary system necessitated a decision on how to remove from the IMF its store of 150 million troy ounces which had been contributed to it by member countries as part of their quota obligations. The decision was to sell this gold. However, it was realized that any massive sale of gold would collapse the world gold market. The first two sections of the accord set up a procedure for the IMF to divest itself of one-third of its goal leaving two-thirds of the gold to be handled at some later date at the discretion of the IMF.

The gold at the IMF is officially valued at SDR 35 or approximately $42 per ounce. The present world price of gold is near $120 per ounce. [illegible] was decided that in any distribution or sale of gold, the Fund would keep the figure of SDR 35 per ounce so that the IMF's assets

would not be depleted. The benefits to members from the redistribution of IMF assets (described below) made the gold arrangement acceptable to promote a larger consensus.

The first part of the compromise is the restitution of one-sixth of the IMF gold holdings to IMF members on the basis of their quotas in the Fund. The main beneficiaries of the restitution are the developed countries who hold the major portion of the Fund's quotas. This restitution to the developed countries was seen as a quid pro quo to France which has opposed for a long time the removal of gold from the monetary system. The countries will pay the IMF the official price for the gold, $42.00, in an exchange of assets. Should these countries wish to sell this gold on the open market, they would realize the profits.

The second part of the compromise deals with the sale on the world market of the second one-sixth of the IMF gold, the profits from this sale to benefit the less developed countries. Sales of this gold have already commenced and will continue over the next four years. The profits generated are to be placed in a Trust Fund which will provide concessional lending to less developed countries who need loans for balance of payments support. Although Treasury officials deny that a five-year grace period and five years to repay. Those countries with a loan program that will provide loans at one-half of one percent with a five-year grace period and five years to repay. Those countries with a per capita income of less than SDR 300 or approximately $350 will be eligible to use the Trust Fund. The Trust Fund is to make about $750 million available each year for the next four years. This figure will vary depending on the world market price of gold.

Another aspect of the sale of the second sixth of gold is referred to as the "direct access" question. A number of Fund members which consider themselves less developed countries do not wish the profits from the sale of their gold in the Fund given to other less developed countries (LDC). Of the 25,000 troy ounces to be sold, 7,000 or 28 percent is LDC gold. As part of the agreement on the second one-sixth sale, seven twenty-fifths of the profit will be given by quota share directly to the less developed countries as their share of the profits of the sale. Only eighteen twenty-fifths or 72 percent of the profit will go into the Trust Fund. This hidden restitution benefits the more wealthy LDCs who have larger quota shares.

The third aspect of the gold compromise deals with the role of gold within the structure of the international monetary system. The agreement eliminates the official price for gold and the obligation of central banks to use gold in transactions between central banks or between central banks and the Fund. To insure that no central bank moves to hoard gold sold on the open market, it is still illegal for a central bank to purchase gold at more than SDR 35 per ounce. Furthermore, the G–10 [1] adopted a set of rules to minimize the possibility of any central bank not adhering to the agreement.

While it is the expressed intent of the IMF to move gold out of the international monetary system, there are vast numbers of legal and psychological mechanisms still in evidence in the system that will

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[1] Members of the G–10 are: Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, U.K., and U.S., with Switzerland as an associate member in attendance.

perpetuate some role for gold. By ending the practice of having a percentage of IMF quotas paid in gold and eliminating gold transactions between the Fund and central banks, the Fund has taken direct actions to eliminate gold from the system. However, as with most institutional acts, it is the concurrence and sincerity of the daily actions of members which will determine the success of the effort.

The Expansion of Quotas

The expansion of the IMF quotas was agreed upon at the annual IMF meeting in Washington in August, 1975. Quotas are the actual exchanges of monetary assets by member states with the IMF. These assets represent the capitalization of the Fund. The U.S. has a claim to its quota should the IMF ever be liquidated. These assets are "purchased" from the IMF by member states for short-term balance of payment needs. Present interest rates on these "purchases" are 4 to 6 percent with maturities of 3 to 5 years.

As a result of the agreement on expended quotas, assets held by the IMF will increase by $12 billion over the next two years. This represents an increase by one-third in the Fund's resources. The actual figures are denominated in SDRs: SDR 29.2 billion rising to SDR 39 billion. This change will be reflected in an increase in quotas of almost all members of the Fund. The U.S. quota will rise from SDR 6.7 billion to SDR 8.405 billion. However, on a relative basis, some countries will expend their percentage of the IMF's total assets more than others. The major shift will be an increase in the OPEC nation quotas from 5 percent of the Fund to 10 percent. The United States and the OECD countries will reduce their relative share to allow this expansion. The U.S. quota will be reduced from 22.93 to 21.53 percent.

This relative change in percentage of the total assets will shift national voting power in the Fund. Votes in the Fund are weighted in relation to quotas as a percentage of total assets. Each member receives 250 votes plus one vote for each 100,000 SDR of its quota. The drop in U.S. quota relative to the total assets will reduce the U.S. voting share from 20.75 percent to 19.96 percent.

By controlling 19.96 percent of the vote, the United States has veto power over the important decisions in the Fund. In the past, important decisions of the Fund required an 80 percent majority. In the amended Articles of Agreement, this percentage has been raised to 85 percent. This change will allow the United States a continuation of its veto power even if there are more relative shifts in the voting power among Fund members.

Expansion of Access to IMF Resources

As part of the broader compromise in the negotiation, it was agreed to temporarily expand each of the four available credit tranches from 25 percent to 36.25 percent of the quota. This expansion is designed to allow temporarily more access to the Fund's resources. With four expanded tranches, a country can now "purchase" 145 percent of its quota. This temporary expansion will be in effect until the new IMF quotas are ratified. The conditions on each succeeding credit tranche remains as they have been in the past. In a system that is already replete with liquidity this agreement adds some inflationary pressure to the total system. However, the $3 billion of new liquidity created

is only 1.5 percent of something more than $200 billion plus in official international reserves held by Fund members.

The liberalization of the Compensatory Financing Facility (CFF) of the IMF is another measure designed to provide more access to the Fund's resources. This was agreed upon in December, 1974, and is already operational. The Facility is for the use of members "facing balance of payments difficulties arising from temporary shortfalls in export receipts resulting from circumstances beyond their control." The liberalization expands the use of the CFF from 25 percent of quota to 50 percent of quota in a 12-month period. The formula for calculating shortfalls was also changed in a manner that provides for larger sums to be made available. "Purchases" from the CFF carry the same interest rate and maturities as regular credit tranche "purchases", but do not affect the members' access to other facilities of the IMF. It is estimated that this liberalization will provide an extra $1 billion for those qualifying.

The IMF Council

There are numerous technical changes in the amendments to the IMF Articles designed to improve the operation of the IMF. The only major institutional change included in the amendments is an enabling provision which would permit the Board of Governors, by an 85 percent majority vote, to create an IMF Council. The Council would be a new, permanent organ of the IMF composed of members of ministerial or equivalent rank. The Council is seen as a successor to the Interim Committee. It would provide the Fund with a deliberative forum whose members would have the political authority to make the decisions necessary to supervise and adopt the international monetary system to changing circumstances. The authority to make these decisions would be delegated by the Board of Governors.

Summary

In summary, the new quotas and the amended Articles of Agreement are a pragmatic reform of the Bretton Woods Agreement of 1944. The amendments, for the most part, sanction what already is being practiced. They authorized three major systemic reforms: a monetary adjustment process based on a floating exchange rate, the elimination of gold, and a one-third expansion in IMF quotas. They created for the less developed countries some $3 to $4 billion in new credits through liberalization of the Compensatory Financing Facility, the Trust Fund and a temporary expansion of drawing rights from the Fund.

The agreements do not guarantee a trouble-free system. Numerous problem areas still remain. There must be close oversight of the system to guarantee national obligations are being fulfilled on exchange rate performance as well as the role of gold. Control of international liquidity has yet to be dealt with effectively. Distribution of international reserves is badly skewed, causing a growth of international indebtedness and critical problems in access to international credit. Economic interdependence, fostered by an effective international monetary system, will bring new problems for domestic and international economic policy determinations. Finally, there is a great need to view the monetary system as an integral part of a larger whole, an inter-

ational system of political economy. These are all issues in which Con-
ress must play an important part in its oversight role in respect to
Jnited States foreign economic policy.

COMMITTEE COMMENTS

The Committee believes that it will be difficult for the United States
overnment to know whether the amended Articles of the IMF are
eing adhered to by other members. Both of the key aspects of the
mended Articles of Agreement, the floating exchange rate and the
limination of gold, depend on the good faith of other nations to
perate within the accepted commitments. Congress, not being directly
ivolved in daily decisionmaking, will have an even more difficult time
arrying out its assessment of the new system and U.S. policy toward
ne system. Furthermore, the move from fixed to floating rates has
laced a much heavier emphasis on personal, monetary diplomacy.
'he understandings reached through these diplomatic contacts will
elp determine the short-term objectives of international monetary
ianagement. These short-term decisions will come to define longer-
rm goals which will encompass, by necessity, political and economic
onsiderations.

Therefore, the Committee expresses a strong desire to improve
ormal and informal consultations on international monetary issues
ith the Department of Treasury and other departments and agencies.
en r Clifford Case emphasized that such consultations must be
iitiated, in many instances, by the Executive Branch, since Congress
innot know of all major decisions facing the Administration. It is
ne opinion of the Committee that the Executive Branch must be more
orthcoming in its provision of information to Congress on the issues
nd policy choices facing the United States in international monetary
olicy. Without effective consultation and cooperation of this sort,
iere can be little meaningful oversight by Congress in this critical
olicy area. For this reason, the Committee supports Senator Percy's
mendment, Section 4 of H.R. 13955, which provides legislative
uthority for the request of information provided to the Executive
ranch by international financial institutions and economic
rganizations.

One area that remains poorly defined is the role of the Federal
eserve in international monetary policy formation and implementa-
on. The Committee informally asked the Federal Reserve Board to
nd a Member to testify during the Committee's hearings. The Board
eferred to Treasury and did not appear. Yet Under Secretary of
reasury Edwin Yeo, during his testimony on June 22, 1976, did state
at there is a recognized role for central banks outlined in the
ambouillet agreement. It is the Committee's intention to carry out
s oversight role in relation to the total operation of the international
ionetary system and it will not limit its interests to one department
r agency, or a limited number of more public forums.

The Committee strongly recommends the passage of this legislation
) lize the status quo, to provide a new set of agreed operating
rocedures, to institute a degree of flexibility in the international

monetary system, and to promote world-wide economic growth and interdependence. However, the Committee wishes to express caution on the underlying assumption of the Administration that since a little economic interdependence is good, a lot will be much better. Interdependence has placed all the industrial democracies on the same business cycle. The last major recession was deepened by this new phenomenon. While the Committee recognizes the benefits of economic integration, it also recognizes the difficulties in overseeing a system that is as large and as complex as that now being created. It suggests that thought be given to what limits the United States wishes to promote economic integration and that analyses be done as to the potential costs and returns to the United States associated with various degrees of commitment to this concept.

Changes in Existing Law

In compliance with paragraph 4 of Rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

BRETTON WOODS AGREEMENTS ACT

* * * * * * *

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 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, but the executive 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 and an 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.]

(c) Should the provisions of Schedule D of the Articles of Agreement of the Fund apply, the governor of the Fund shall also serve as councillor, shall designate an alternate for the councillor, and may designate associates.

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

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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 content to any change in the quota of the United States under article III, section 2(*a*), 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 IV, 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.] *a par value for the United States dollar under paragraph 2, paragraph 4, or paragraph 10 of schedule C of the Articles of Agreement of the Fund; (c) propose any change in the par value of the United States dollar under paragraph 6 of schedule C of the Articles of Agreement of the Fund, or approve any general change in par values under paragraph 11 of schedule C; (d) subscribe to additional shares of stock under article II, section 3, of the Articles of Agreement of the Bank; (e) accept any amendment under article XXVIII of the Articles of Agreement of the Fund or article VIII of the Articles of Agreement of the Bank; (f) make any loan to the Fund or the Bank; (g) approve the establishment of any additional trust fund, whereby resources of the International Monetary Fund would be used for the special benefit of a single member, or of a particular segment of the membership, of the Fund. 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, if such increase involves an increased subscription on the part of the United States.*

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FURTHER PROMOTION OF INTERNATIONAL ECONOMIC RELATIONS

SEC. 14. (*a*) In the realization that additional measures of international economic coöperation 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.

(b) The President shall, upon the request of any committee of the Congress with legislative jurisdiction over an international financial institution or economic organization of which the United States is a member, transmit promptly to such committee any appropriate in-

formation furnished to any department or agency of the United States by such institution or organization.

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SEC. 17. (a) In order to carry out the purposes of the decision of January 5, 1962, of the Executive Directors of the International Monetary Fund, the Secretary of the Treasury is authorized to make loans, not to exceed $2,000,000,000 outstanding at any one time, to the Fund under article VII, section [2(i)] *1(i)*, of the Articles of Agreement of the Fund. Any loan under the authority granted in this subsection shall be made with due regard to the present and prospective balance of payments and reserve position of the United States.

(b) For the purpose of making loans to the International Monetary Fund pursuant to this section, there is hereby authorized to be appropriated $2,000,000,000, to remain available until expended to meet calls by the International Monetary Fund. Any payments made to the United States by the International Monetary Fund as a repayment on account of the principal of a loan made under this section shall continue to be available for loans to the International Monetary Fund.

(c) Payments of interest and charges to the United States on account of any loan to the International Monetary Fund shall be covered into the Treasury as miscellaneous receipts. In addition to the amount authorized in subsection (b), there is hereby authorized to be appropriated such amounts as may be necessary for the payment of charges in connection with any purchases of currencies or gold by the United States from the International Monetary Fund.

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SEC. 24. The United States Governor of the Fund is authorized to accept the amendments to the Articles of Agreement of the Fund approved in resolution numbered 31–4 of the Board of Governors of the Fund.

SEC. 25. The United States Governor of the Fund is authorized to consent to an increase in the quota of the United States in the Fund equivalent to 1,705 million Special Drawing Rights.

SPECIAL DRAWING RIGHTS ACT

AN ACT To provide for United States participation in the facility based on Special Drawing Rights in the International Monetary Fund, and for other purposes

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SEC. 3. (a) Special Drawing Rights allocated to the United States pursuant to article [XXIV] *XVIII* of the Articles of Agreement of the Fund, and Special Drawing Rights otherwise acquired by the United States, shall be credited to the account of, and administered as part of, the Exchange Stabilization Fund established by section 10 of the Gold Reserve Act of 1934, as amended (31 U.S.C. 822a).

(b) The proceeds resulting from the use of Special Drawing Rights by the United States, and payments of interest to the United States pursuant to [article XXVI, article XXX, and article XXXI] *article XX, article XXIV, and article XXV* of the Articles of Agree-

ment of the Fund, shall be deposited in the Exchange Stabilization Fund. Currency payments by the United States in return for Special Drawing Rights, and payments of charges or assessments pursuant to [article XXVI, article XXX, and article XXXI] *article XX, article XXIV, and article XXV* of the Articles of Agreement of the Fund, shall be made from the resources of the Exchange Stabilization Fund.

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SEC. 6. Unless Congress by law authorizes such action, neither the President nor any person or agency shall on behalf of the United States vote to allocate in each basic period Special Drawing Rights under article [XXIV] *XVIII*, sections 2 and 3, of the Articles of Agreement of the Fund so that allocations to the United States in that period exceed an amount equal to the United States quota in the Fund as authorized under the Bretton Woods Agreements Act.

SEC. 7. The provisions of article [XXVII(b)] *XXI(b)* of the Articles of Agreement of the Fund shall have full force and effect in the United States and its territories and possessions when the United States becomes a participant in the special drawing account.

PAR VALUE MODIFICATION ACT

AN ACT To provide for a modification in the par value of the dollar, and for other purposes

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

SECTION 1. This Act may be cited as the "Par Value Modification Act".

[SEC. 2. The Secretary of the Treasury is hereby authorized and directed to take the steps necessary to establish a new par value of the dollar of $1 equals one thirty-eighth of a fine troy ounce of gold. When established such par value shall be the legal standard for defining the relationship of the dollar to gold for the purpose of issuing gold certificates pursuant to section 14(c) of the Gold Reserve Act of 1934 (31 U.S.C. 405b).]

SEC. 3. The Secretary of the Treasury is authorized and directed to maintain the value in terms of gold of the holdings of United States dollars of the International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the International Development Association, and the Asian Development Bank to the extent provided in the articles of agreement of such institutions. There is hereby authorized to be appropriated, to remain available until expended, such amounts as may be necessary to provide for such maintenance of value.

SEC. 4. The increase in the value of the gold held by the United States (including the gold held as security for gold certificates) resulting from the change in the par value of the dollar authorized by section 2 of this Act shall be covered into the Treasury as a miscellaneous receipt.

SEC. 5. It is the sense of the Congress that the President shall take all appropriate action to expedite realization of the international monetary reform noted at the Smithsonian on December 18, 1971.

Gold Reserve Act of 1934

N ACT To protect the currency of the United States, to provide for the better use of the monetary gold stock of the United States, and for other purposes

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Sec. 10. (a) [For the purpose of stabilizing the exchange value of ıe dollar, the] *The* Secretary of the Treasury, with the approval of ıe President, directly or through such agencies as he may designate, is uthorized, for the account of the fund established in this section,) deal in gold and foreign exchange and such other instruments of redit and securities as he may deem necessary to [carry out the purose of this section. An annual audit of such fund shall be made and report thereof submitted to the President] *and consistent with the 'nited States obligations in the International Monetary Fund. The 'ecretary of the Treasury shall annually make a report on the opera-'ons of the fund to the President and to the Congress.*

(b) To enable the Secretary of the Treasury to carry out the proisions of this section there is hereby appropriated, out of the eceipts which are directed to be covered into the Treasury under ection 7 hereof, the sum of $2,000,000,000, which sum when available hall be deposited with the Treasurer of the United States in a staılization fund (hereinafter called the "fund") under the exclusive ontrol of the Secretary of the Treasury, with the approval of the 'resident, whose decisions shall be final and not be subject to review y other officer of the United States. The fund shall be available or expenditure, under the direction of the Secretary of the Treasury nd in his discretion, for any purpose in connection with carrying ut the provisions of this section, including the investment and reinestment in direct obligations of the United States of any portions f the fund which the Secretary of the Treasury, with the approval f the President, may from time to time determine are not currently equired for stabilizing the exchange value of the dollar. The proeeds of all sales and investments and all earnings and interest accruıg under the operations of this section shall be paid into the fund nd shall be available for the purposes of the fund.

(c) All the powers conferred by this section shall expire two years fter the date of enactment of this Act, unless the President shall ooner declare the existing emergency ended and the operation of the tabilization fund terminated; but the President may extend such eriod for not more than one additional year after such date by procamation recognizing the continuance of such emergency.

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Sec. 14. (a) * * *

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(c) The Secretary of the Treasury is authorized to issue gold ertificates in such form and in such denominations as he may deterıine, against any gold held by the [Treasurer of the] United States *reasury*. The amount of gold certificates issued and outstanding shall ı ime exceed the value, at the legal standard *provided in section o) ıe Par Value Modification Act (31 U.S.C. 449) on the date of actment of this amendment*, of the gold so held against gold rtificates.

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to stabilize the market without each economy reaching its own internal equilibrium. The French came to accept this position.

The actual document still remain classified as secret. However, U.S. Treasury Under Secretary for Monetary Affairs, Edwin Yeo, III, discussed the contents of the document as follows before the Senate Foreign Relations Committee on June 22, 1976:

> The understandings at Rambouillet came in two forms: one, an agreement between the French government and ourselves which dealt with our mutual perception of the shape of international monetary reform. In other words, we had a number of points on which we had been unable to agree, and the understanding dealt with those disagreements.
>
> The second aspect of the understanding of Rambouillet involves, again between the French and ourselves, an agreement to collaborate to (sic) consult between Treasuries and central banks regarding exchange rate developments— specifically an agreement to counter disorderly market conditions, which has been our policy for some time.
>
> The other participants at Rambouillet associated themselves not with the understanding per se, but with the communique which came out of that understanding . . . .

While it is publicly known that the agreement contained a working draft of the key compromise on a new Article IV of the IMF Articles of Agreement, the second aspect of the Rambouillet Agreement mentioned by Under Secretary Yeo has received minimal public attention. From his statement, it must be concluded that a process involving ional treasuries and central banks has been put into place to oversee management of the new monetary system. The Rambouillet Agree-