

The European Monetary System and the Dollar in the Framework of the World Monetary System

I. The World Monetary "System" (?)

The world monetary "system" — or rather non-system — obviously functions today in a way totally opposite to the objectives it should serve.

1. It has led to an *inflation* of world monetary reserves unprecedented in history. Measured in SDRs, these have quadrupled over the years 1970-80. Measured in dollars, they have increased eleven times as much in eleven years as in all previous years and centuries since Adam and Eve. The difference between these two estimates reflects the wide fluctuations in the dollar exchange rate, and mostly in market gold prices. Such fluctuations were, until they occurred, repeatedly proclaimed unacceptable by our highest monetary and political authorities, firmly resolved to preserve the stability of both exchange rates and gold prices (at \$ 35 an ounce!) as the "two unshakable pillars" of an international monetary system to which they declared themselves ready to negotiate and implement any *other* reforms deemed desirable.

2. These reserve increases have been absorbed:

a) in part by huge bookkeeping profits of central banks, fortunately largely sterilized by them up to now, but bound — if absurd traditional precedents are followed — to be credited sooner or later to the national Treasuries, thus facilitating the inflationary financing of enormous and persistent budgetary deficits in many countries;

b) and in part by their investment nearly exclusively in the richest and most capitalized countries, mostly in so-called "dollar balances" on the U.S. Treasury and banks.

The estimates — alas extremely imperfect — of the International Monetary Fund make evident the crucial role of the use of a few *national*

currencies as “parallel” currencies in *international* settlements and reserve accumulation.

Economic common sense as well as humane concerns should prompt the richest and most capitalized countries to accumulate current account surpluses, enabling them to provide to the poorest and least capitalized countries the financing of balance-of-payments deficits justified by the investments necessary to their economic growth and the maintenance of consumption levels indispensable to the very survival of their people. The United Nations reiterate each year the vote of pious resolutions asking the developed countries to devote at least a minimal fraction (1% of their GNP) to such financing.

But what is happening in fact?

1. *The less capitalized countries* — i.e. the countries of the Third World other than those exporting oil — experience indeed external deficits, probably excessive but *overfinanced* by capital imports enabling them, therefore, to increase each year their international monetary reserves.

2. *The oil exporting countries* are today the only ones accumulating current account surpluses, of which they devote about half to capital exports — partly toward the industrial countries — and the other half to reserve accumulation.

3. *The industrialized countries other than the United States* incur enormous current account deficits, largely *overfinanced* by huge capital imports, and leaving them also with considerable increases of their reserves.

4. This is the crux of the inflationary explosion of world monetary reserves denounced above, and of their excessive absorption by the industrialized countries. These reserves, indeed, are *not* invested in the countries most in need of capital, but only in a few rich countries whose currency is deemed “strong”, primarily the United States. These growing “reserve borrowings” — indebtedness — of the United States enable it to be by far the largest capital exporter, although its current account surpluses are negligible and grossly inadequate for one of the richest and most capitalized countries of our planet: less than 0.02% of its GNP over the years 1970-80.¹

¹ I summarize in the tables annexed to this paper, the documentary evidence from which these brief comments are derived. For more details, see my article on “The Impact of Balance of Payments Transactions upon the 1970-1980 Explosion of International Reserve Assets under the Present Monetary System” in the next issue of *Aussenwirtschaft*.

This method (!) of world monetary reserve creation and investments obviously contributes to strengthen even more the financial, economic, political, and military hegemony of the United States in world affairs. The reserves invested in its market by the rest of the world are reinvested abroad by it in the countries and under the conditions — economic and political — which its authorities decide, and for the objectives which they choose (military aid, for instance), or are left to the decisions of the private market (direct investments, particularly in so-called “multinational” — or “supranational”? — enterprises).

The practical consequences of this hegemony are not necessarily bad. On the contrary, it makes it possible in fact, if not in law, to insert a certain degree of highly desirable coherence in a world of countries which remain attached to their illusory legal sovereignty, but are in fact inextricably interdependent of one another. It was used after the last war, with rare wisdom and generosity, to accelerate the reconstruction of a war-devastated world, and still is today to provide to a fearful world a necessary counterpart to the Soviet military power. It is nevertheless more and more questioned today by a large fraction of public opinion — in the United States as elsewhere — which deems that:

1. The *fiscal* and *monetary* policies followed by the Reagan Administration aggravate the world recession, notably through their incidence on interest rates.

2. Inflation cannot possibly be brought under control, nor the danger of nuclear suicide removed, as long as a realistic negotiation is not launched to reduce drastically the \$ 500 to \$ 600 billion wasted each year on rearmament by a world vastly overarmed already, contrary to the deepest aspirations of public opinion and statesmen, in the USSR as well as in the United States and elsewhere.²

3. The foreign and military policies of the United States too often try, incomprehensibly for a country so deeply devoted to freedom and human rights, to perpetuate corrupt and bloody dictatorships vomished by public opinion. This leaves no other alternative to the opponents than to seek the support of the USSR and to put into place regimes that are then dubbed “marxist-leninist” and therefore deemed dangerous and unacceptable to the United States and their allies. This

² See the lead article of MC GEORGE BUNDY, GEORGE F. KENNAN, ROBERT S. McNAMARA and GERARD SMITH in the prestigious *Foreign Affairs* (Spring 1982), as an antidote to the proponents of a stiffer rearmament race.

evolution of U.S. policy now threatens the cohesion of the Atlantic Alliance as well as the economic cooperation indispensable to world peace and prosperity.

But it is time that I leave to others, more competent than I, the exploration of these essentially political issues, and that I turn toward the *European Monetary System* and the contribution it could bring to the solution of the economic problems of the Western World.

II. The European Monetary System and the Dollar

I need not rehash again here the essential features of the EMS, put into operation at long last in March 1979, and shall merely present a few comments on its actual functioning over its first three years of operation.

The EMS, assaulted by new increases of oil prices, has certainly not succeeded in its long term objective: to reduce — downward — inflationary divergences between member countries, so as to make possible the full *Economic and Monetary Union*, and therefore *political* union, which is the ultimate goal of its promoters. It has, on the other hand, succeeded beyond every expectation to preserve between its currencies a relative stability, in sharp contrast with the disorderly fluctuations between them on the one hand and, on the other, the dollar, the yen and other foreign currencies.

Opposite conclusions are drawn, as one should expect, from this unanimously recognized success. Those who initially opposed the EMS agreement (notably the *Bundesbank*) admit that their fears have proved unjustified, but conclude that it is therefore unnecessary to go further and that one should wait for a reduction of present inflation rates and their divergences, not only before agreeing on full economic and monetary union — which is, of course, true — but even before strengthening the present system in any significant way. On the contrary, the EMS promoters conclude that its success should prompt member countries to negotiate the next steps ahead, and particularly the EMF (*European Monetary Fund*) initially planned for March 1981 at the latest.

I share this latter view. I believe indeed that the relative success of the EMS exchange-rate policies is due only in minor part to its *internal* functioning and explainable primarily by exceptionally favorable, and ephemeral, *external* circumstances.

The divergence indicator has certainly played a useful role in the readjustment of deficit countries' policies — notably in Belgium and Denmark — but the major portion of exchange-rate interventions and repayments has continued to take place in dollars rather than in ECUs and in the Community currencies. The financing of these interventions by the FECOM has remained throughout extremely modest and was twice totally reimbursed before being resumed last March, on a very moderate scale again. The spurts of the Euro-markets and of gold prices have made it easy for deficit countries to borrow overwhelmingly outside the FECOM. These excess borrowings, the inordinate increase of interest rates and the decline of gold prices will make such borrowings more difficult in the future.

The relative relaxation of exchange-rate tensions between member currencies is due most of all to the strengthening of the dollar vis-à-vis the mark. This has decreased the unwelcome appreciation of weaker currencies previously imposed upon them by the strength of the mark. This situation might be reversed dramatically in the forthcoming months if the causes of the dollar appreciation disappear. I shall mention only three of these: the enormous rise of U.S. interest rates, the fears of a Third World War, and the confidence in the determination of the Reagan Administration to end inflation in the United States. These three factors induced vast movements of speculative capital toward the United States, strengthening the dollar on the exchange market, but making it even more vulnerable than before at medium — if not short — term.

I shall not venture any prediction on the chances of continuation of the second — the danger of a world conflict — whatever our common hopes for an abatement, alas still doubtful, of this danger. But one may foresee with near-certainty the reversal of the two other factors. Neither the United States nor the other countries can tolerate indefinitely the extravagant interest rates now prevailing, and I shall hazard in this respect another "Triffin dilemma": either interest rates come down in the United States, or the EMS will have to be strengthened to decrease their impact upon exchange rates and interest rates in Europe. Their decline in the United States would unfortunately entail a monetary —

and therefore inflationary — financing of the enormous budgetary deficits (more than \$ 150 billion a year) presently officially forecast in the United States in spite of draconian cuts in social expenditures, owing to tax reductions and mostly to the incredible blowing up of military expenditures — the most inflationary of all — to nearly \$ 1 billion per day from here to 1985. Past experience should even lead us to revise stiffly upward these estimates based on contractual costs always vastly exceeded in actual fact.

III. The Balance of Payments of the United States and its Impact Upon the External Position of the Dollar

Most of the comments on the past and prospective evolution of the dollar on the exchange markets of the world center attention on the most recent *flows* of the U.S. balance of payments: annual, quarterly, or even monthly flows. Far more significant, in my opinion, is the evolution, over longer periods, of net, but particularly of *gross stocks* of assets and liabilities. There are published annually (usually in August or September) in the *Survey of Current Business*. Table 5 summarizes this evolution from 1969 to 1981; and Table 6 shows how changes in these “stock” estimates from one date to another are derived from the cumulative addition of annual balance-of-payments “flows” over the intervening period.

I group on the lines of Section I the estimates relating to the *money market*, *i.e.* gross official reserves (line I A1), U.S. banks’ claims abroad (line I A2), and the indebtedness of the Treasury and banks to foreign official authorities and the IMF (line I B1) and to other holders of dollar balances (line I B2). Contrary to the usual practice, I present these money market estimates first, for two reasons. The first is that they may be accepted as far more *reliable* than most of the other capital movements recorded in Section II and which leave out the item previously called “Errors and Omissions” (today “Statistical Discrepancy”), whose enormously increased amount is generally attributed to capital movements far more than to current account transactions. Secondly, they are more directly related — whatever their origin, unknown by the operators — to the foreign exchange market, where

so-called "dollar balances" in Treasury securities and bank deposits are the main instruments of the role played by the dollar as "parallel currency" in international settlements, working balances, and reserve accumulation.

What can be learned from the indications provided in Table 5?

1. For the first time in many years, a remarkable decline of the *net indebtedness* of the United States to the international money market (line I) in 1980 and 1981. This decline is due exclusively to the increase of the net assets (line I 2) other than official reserves, practically unchanged (line I 1).

2. But *gross* assets and liabilities (lines I A and B) are far more meaningful, the second measuring the evolution of the so-called "dollar overhang", *i.e.* of the bulk of liquid claims on the United States susceptible of influencing the foreign exchange market. The motivations of investors and speculators as to the distribution of their portfolio between major currencies, and the amounts that they might unload on the market, depend indeed far more on their accumulated *stocks* than on the short-term *flows* on which press commentators usually focus their attention. The sum of these claims (line I B) continues to grow (by nearly \$ 50 billion last year) and had reached at the end of 1981 \$ 362 billion, *i.e.* more than seven times their estimated amount at the end of 1969. Their \$ 103 billion increase over the last three years (from \$ 259 billion to \$ 362 billion) is overexplained by the \$ 157 billion rise of banks' claims abroad (recorded on line I B2), which have passed from \$ 131 billion at the end of 1978 to \$ 288 billion at the end of 1981. Or, one might say, inversely, that foreign investments in the United States have forced American banks to increase their foreign lending.

3. The evolution of other capital accounts (line II) hardly calls for any comments. Assets and liabilities rise parallelly, leaving their net sum relatively stable.

4. The sum of lines I and II, on line III measures the U.S. "net international investment position". It is largely positive, the indebtedness to the money market (line I) being more than compensated by the other net capital accounts (line II), and particularly by "direct investments" (line II 2) which account at the end of 1981 for nearly 70% of the total. The *Survey's* estimates (line III A) show a \$ 21 billion

decrease of the U.S. net investment position from 1969 to 1972, but huge and persistent increases from 1972 (\$ 37 billion) to 1981 (\$ 155 billion), of which more than \$ 30 billion in 1981. The articles commenting on these tables point out, however, that these estimates should be heavily discounted since they do not take into account enormous "errors and omissions" generally attributed to capital transactions far more than to current account transactions. I include therefore on line IV of my table 5 the sum of these errors and omissions since the end of 1959, plus the "contingent" debt of the United States resulting from SDR (special drawing rights) allocations. This reduces considerably both the initial decrease and later increases of the net claims recorded in the *Survey's* tables: a decrease of \$ 11 billion rather than \$ 21 billion, from 1969 to 1972, and later increases of \$ 18 billion only rather than \$ 118 billion.³

Table 6 reconciles the *stock* estimates of table 5 with the yearly balance-of-payments *flows*.⁴ I shall merely note:

1. That this presentation reduces significantly (on line I B) the changes in official liabilities (line I B1) and in liabilities to the private sectors (line I B2), which often compensate one another, notably in 1979 and 1981.
2. The spectacular decrease of net direct investments in 1980, and their reversal — for the first time in my memory — in 1981 (line II 2).
3. The colossal increase of errors and omissions ("discrepancy" on line II 5), generally attributed to unrecorded capital imports.
4. The relative stability of the current account balance (line III), far less important — irrespective of the emphasis placed on its

³ These estimates should be taken, however, with bags rather than grains of salt, the revaluations of assets and liabilities hazarded by the *Survey* being only gross approximations, notably for gold still valued at an "official" price unrelated to market prices, and for direct investments.

⁴ This reconciliation leads me to assign to reserve and capital movements a sign inverse from the one usually assigned to them in balance-of-payments statistics: a + sign, or rather no sign, for increases of assets and decreases of liabilities, and a *minus* ("—") for decreases of assets and increases of liabilities. This will irritate bookkeepers, but probably be less misleading for all other readers, including a good number of responsible policy-makers. The various items no longer add up to zero, as required by bookkeeping rules, but lines I and II show how current account surpluses or deficits (line III) are absorbed by changes in net money-market claims or liabilities (line I) and net capital exports or imports (line II).

fluctuations by economic textbooks — than capital movements for the explanation of the money market balance (line I), which influences most directly exchange rate fluctuations.

5. The considerable deficit of current transactions (line III B) other than net income on past investments (line III A). This is rarely mentioned by commentators on the evolution of the current account balance, except of course by economists from the Third World.

I leave it to the reader to decide whether this presentation and these observations deserve to retain his attention, and particularly to influence the judgment which practitioners must form daily on the recent evolution and future prospects of the exchange market. And I turn to the conclusions which I derive myself from them concerning the desirable evolution of the European Monetary System.

IV. Desirable Reforms of the European Monetary System

The incoherence of the world monetary system and the fluctuations, as certain as unforeseeable, of the dollar on which it remains largely anchored should obviously prompt the countries of the European Community to strengthen the European Monetary System and to develop the potential role of the ECU as an alternative to the Euro-dollar.

1. Acceptance by Central Banks

The integral acceptance of the ECU by central banks, as a settlements and reserve currency, is crucial in this respect, and far from being secured yet. To make the ECU fully acceptable by them, one must dissipate prevailing fears about the dangers of inflationary issues and of inconvertibility of the ECU, and doubts about its acceptance by the private market.

a) The danger of inflationary ECU issues is certainly real. ECU issues had indeed nearly doubled during the first two years of the system. The EMS opponents seem inclined, at times, to suggest that the

main danger in this respect lies in the abuse of the credit facilities available to member countries in deficit. These certainly cannot be blamed, however, for ECU issues up to now. The ECUs issued in counterpart of dollar deposits (*i.e.* of credits to the United States) have in fact declined significantly, in spite of the upward revaluation of such deposits resulting from the recent appreciation of the dollar. As for the ECU loans to member countries, their amount has remained very moderate throughout, and was entirely repaid on two occasions after only a brief period of months. Only so-called "very short term credits" have ever been used, and neither "short term" nor "medium term" credits have ever been requested or received by member countries. The ECU issues are due overwhelmingly to the gold and dollar deposits of members with the FECOM, and their increase is due nearly entirely to the sharp bookkeeping revaluation of the gold deposited, whose physical amount has remained practically unchanged, while dollar deposits have declined, as already noted above.

The most indispensable and most urgent measure needed to preclude inflationary issues is, obviously, to eliminate the impact now automatically exercised upon them, without any discretion on the part of the authorities, by the wild fluctuations of market gold prices. These fluctuations, let us note, have been so far only a *potential*, but not yet an *actual*, source of inflation. The rise of the contractual prices of gold and dollars has had, up to now, little effect on national currency issues by central banks. Most of their gold and dollar holdings have been acquired by them well before these price rises, which are merely reflected in enormous bookkeeping profits rather than currency issues. There is, however, every reason to fear:

- (i) that the growth of the real worth of their international reserves ease for the countries in deficit the financing of such deficits and enable their authorities to postpone unduly the policy readjustments indispensable to the restoration of a durable equilibrium of their balances of payments; and
- (ii) that these bookkeeping profits be unavoidably transferred, sooner or later, to their Government, facilitating to their Treasury the inflationary financing of domestic budget deficits, as well as of external deficits. This absurd legal procedure anchored in old traditions, unleashes a "vicious circle" in which a currency devaluation, resulting most

often from inflationary policies, rewards the authorities with bookkeeping profits facilitating the inflationary financing of new deficits, and leading to new inflationary spurts, currency depreciation, etc. in an endless chain. It is high time that these profits, as also the profits realized on the 80% of gold stocks held outside the FECOM — and valued in accordance with widely different, but uniformly misleading, bookkeeping rules in the various countries — be at long last blocked, sterilized, in special “revaluation accounts” similar to those adopted at my suggestion, 30 or 40 years ago already, in the monetary reforms of a number of Latin American countries. The time is particularly propitious to the negotiability of such a reform, since the decline in market gold prices has entailed recently huge bookkeeping reserve losses rather than gains.

This elimination of the major shortcoming of the current system of ECU creation would make possible the adoption of the simplest, most comprehensive and most efficient barrier against excessive issues: a presumptive ceiling *à la* Milton Friedman limiting to x% yearly the maximum increase in global ECU issues, unless exceptional circumstances demand that it be exceeded, but only by qualified votes of 3/4 or 4/5 of the participants. The global character of this ceiling would impose operationally on the monetary authorities of the Community the need to choose explicitly between the *internal* and the *external* credits in counterpart of which ECUs are issued. External balance-of-payments surpluses of the Community, increasing the issue of ECUs against dollar — or gold? — deposits should normally reduce countries' credit needs, while these needs would normally be more frequent and justified — economically and politically — when external deficits reduce the issues of ECUs against dollar deposits.

b) As to the *convertibility* of the ECUs held by monetary authorities with the FECOM, it should be made clear that it already exists fully under the present system. When a member country incurs external deficits, not financed by credits, it settles them by drawing *pari passu* on its ECU reserves with the FECOM (20%) and on those held outside the FECOM (80%), and may legally continue to do so until its reserves are fully exhausted.

If the deficits financed by ECU withdrawals are with other Community members, the global gold and dollar assets of the FECOM remain unchanged, its liabilities being merely redistributed between payors and payees. Convertibility would become a problem for the FECOM only if the global deficits of the Community as a whole toward the outside world were to exhaust its gold and dollar holdings. Such a danger is hardly to be feared: in spite of the exceptionally huge deficits incurred in 1981 owing to new price rises for oil — whose prices are now declining — and of the sharp drop in gold prices, the gold and dollar assets of the FECOM still totalled more than \$ 45 billion at the end of the year. And if this were not deemed sufficient — which is practically inconceivable — Community countries could still mobilize in addition part of the \$ 16 billion available under their “swap agreements” with the United States. These swaps should also, according to the brilliant suggestion of Jacques van Ypersele, be multilateralized in the form of swaps with the European Monetary Fund, denominated in ECU and permitting a more appropriate distribution of drawings and repayments between Community currencies than the near-exclusive use today of the German mark in such transactions (which often aggravates needlessly the tensions on intra-Community exchange rates). The reserves losses of some countries will undoubtedly force them, if they persist at the current rate, to change their policies or readjust their exchange rate vis-à-vis the ECU. This could entail some depreciation of the ECU itself vis-à-vis the dollar if these readjustments take place primarily through the depreciation of weak currencies rather than, alternatively, through the upward revaluation of others, in the ECU basket,⁵ but it should not, in any case, lead to the inconvertibility of the ECU.

c) Finally, the acceptance of the ECU by the private market progresses today at a pace that should reassure the most skeptical central bankers, and encourage them to lift the administrative obstacles that are still met today by the private sectors wishing to make use of ECUs in their transactions.

2. The Use of the ECU by the Private Sectors

The merging of national currencies into a single Community currency (now dubbed ECU), envisaged for the ultimate stage of full

⁵ But see below my suggestion for a redefinition of the ECU.

Economic and Monetary Union in several summit conferences of our Heads of State and Government, is certainly not for tomorrow. But the use of the ECU as an alternative to Euro-currencies will probably progress in a spectacular way within the course of the next few months.

On the purely political plane, it presents the rare advantage of being able to rally the support of the most backward nationalists as well as of the enthusiasts of a United Europe. To cite only one name, a man like Michel Debré, whose intellectual integrity and strength of convictions force our admiration, would oppose strenuously the replacement of the French franc by the ECU, but he could have no objection — far to the contrary — to the use of the ECU in lieu of the Euro-dollars, Euro-marks, Euro-Swiss francs, etc. in which about \$ 900 billion of European banks' assets and liabilities are currently denominated.

On the economic plane, the use of the ECU in intra-European contracts offers to the creditors as well as the debtors a unit of account and settlements whose stability is — by its very definition — superior to that of the national currencies of the ECU basket, and the closest possible to exchange-rate stability for their external transactions. Indeed, intra-Community transactions constitute for most of the Community countries more than half — about 75% for Belgium — of those transactions, while their transactions with the United States hardly reach, on the average, 7% of this total.

Surely, the creditors who have full confidence in their forecasts — or those of their advisers — as to the future evolution of exchange rates will continue to invest their funds preferably in the currencies they deem to be the “strongest”. But the enormous losses incurred in the past, at times on dollar holdings, and at other times on mark holdings, etc. cannot fail to incite many enterprise treasurers to prefer the ECU, for their board of directors and their shareholders are certain to lavish far more blame on them for the *exchange losses* that they may incur, in case of forecasting errors, on the positions taken by them in a national currency, than for having failed to *maximize the exchange profits* that one or the other of these would have offered in comparison with ECU investments. Moreover, lenders must find borrowers, and the insistence of the former on using the hardest currencies will inevitably deter the latter — understandably allergic to them — or have to be offset by lower interest rates. The ECU may prove a more acceptable compromise for all concerned.

Whatever one may think of these arguments, *it is a fact* that the private sectors are demonstrating amply today their interest for the

ECU alternative to Euro-currencies. A round-table which I was privileged to organize in Louvain-la-Neuve University, in June 1980, between a few academics and central bankers, but mostly a score of major European commercial banks,⁶ was followed in short order by multiple and much larger meetings of hundreds of bankers and by a number of concrete initiatives on which documentation is provided and updated periodically in the "ECU Newsletter" of the *Istituto Bancario San Paolo* of Turin. More than forty big banks, in the Community countries, Switzerland, the United States and Japan, already accept ECU deposits and deposit certificates, lend in ECU, participate in the floating of ECU bonds, or exchange ECUs for national currencies, on sight and forward. In little more than a year, bonds have been issued or guaranteed in ECU, for a total of well over 2 billion by the Governments of Belgium and Italy, the Council of Europe, the *Istituto Bancario San Paolo*, etc., at current yields ranging from 13 to 14 ²/₃ per year.

Community officials are now examining with bank representatives a series of measures susceptible of lifting administrative obstacles and reducing the costs on ECU transactions, and the March European Council has launched a first study of the official reforms deemed desirable and negotiable in the near future.

The administrative obstacles are due to the fact that the ECU basket includes both the national currency and other currencies and is therefore subject to a double series of regulations and controls. The first reform called for, and already in effect in Belgium and Italy, is to eliminate this handicap by assimilating the ECU to the Euro-currencies. This should only be a first step, and later reforms should aim at giving the ECU a preferential status, such as the availability of loans of last resort, requiring, of course a minimum of prudential regulations, badly lacking today for most Euro-market transactions.

The excessive costs of transactions denominated in ECU are due to the fact that payments between customers of different banks now entail a double set of foreign exchange operations, the ECU having to be converted first into a national currency by the payor and then re-converted into ECU by the payee. Moreover, each bank must cover itself against exchange risks by investing into national currencies, *pro rata* of their shares in the basket, any difference between its ECU loans and its ECU deposits. They are now studying various alternative for-

⁶ See the volume on *The Private Use of the ECU* by NIELS THYGESEN *et al.*, edited by André L. Swings and Robert Triffin (Kredietbank, Brussels, 1980).

mulas, some more ambitious than others, reducing these unnecessary costs through the organization of one or several clearing houses, with or without the participation of national central banks and/or the Bank for International Settlements.

Two other possibilities under active discussion are the minting of ECU coins and the denomination of travelers' cheques in ECU, so as to familiarize the public with an instrument too little known by it so far.

The success of these various initiatives could pave the way to two other developments.

The first would be the use of the ECU outside the Community, notably in financial transactions by other countries of Europe, the Middle East and Africa, whose trade with one another and with the countries of the Community is also more important by far than with other monetary areas.⁷

The second possibility is a redefinition of the ECU, revolutionary and premature at this stage, but imperative in the long, or even medium, term. The ECU is — like the dollar — a reference currency and should *not* be defined by the currencies referring themselves to it. Each member country already must notify the exchange rate at which it stands ready to sell and to redeem its national currency against the ECU, and occasionally the changes of this rate which might still be deemed necessary, after mutual consultation, pending the ultimate, but still distant, completion of the planned Economic and Monetary Union of the Community. But the ECU itself should remain unchanged, as was the case yesteryears for the IMF unit of account. The ECU should be merely an ECU, as the dollar is a dollar, and — according to Gertrude Stein — a rose is a rose, is a rose

I am glad to be no longer alone in hoping that my dreams of today may become a reality tomorrow.

Louvain la Neuve

ROBERT TRIFFIN

⁷ See my contribution and many others in a seminar of exceptional quality organized in Abu Dhabi, on November 24-27, 1980 by the "Centre for Arab Unity Studies" and published in *Arab Monetary Integration: Issues and Prerequisites*, under the editorship of Khair El-Din Haseeb and Samir Makdisi (Croom Helm, London and Canberra, 1982).

SOURCES OF INTERNATIONAL MONETARY RESERVE ASSETS AND OWNERSHIP OF NET RESERVES

	SDR millions					\$ millions		Impact of Gold & \$ Fluctuations	
	1949	1959	1969	1980	June 1981	1980	June 1981	1980	June 1981
<i>I. World Gold</i>	34,349	40,167	41,260	39,448	39,954	664,424	486,296	624,976	446,342
A. IMF	1,451	2,406	2,310	3,620	3,620	60,977	44,060	57,357	40,440
B. Countries	32,898	37,761	38,950	35,828	36,334	603,447	442,236	567,619	405,902
<i>II. Credit Reserves</i>	11,161	16,953	37,465	278,461	310,044	298,790	316,836	20,329	6,792
A. Concerted	207	844	4,416	25,024	31,581	-24,444	-3,563	-49,468	-35,144
1. SDR Allocations	x	x	x	17,381	21,433	22,168	24,661	4,787	3,228
2. Net IMF Credit	207	844	4,416	7,643	10,148	-46,612	-28,224	-54,255	-38,372
a) Gross	204	909	5,070	8,486	10,976	10,823	12,629	2,337	1,653
b) Minus IMF Uncredited Profits	3	-65	-654	-843	-828	-57,435	-40,854	-56,592	-40,026
B. Reserve Currencies	10,954	16,109	33,049	253,437	278,463	323,234	320,400	69,797	41,937
1. Identified U.S. Liabilities	3,200	10,120	17,854	154,480	168,100	197,024	193,416	42,544	25,316
2. Other Countries Liabilities & Unidentified	7,754	5,989	15,195	98,957	110,363	126,210	126,984	27,253	16,621
<i>III. Reserve Assets (I+II)</i>	45,510	57,120	78,725	317,909	349,998	963,214	803,132	645,305	453,134
<i>IV. Countries' Net Reserves (IB)</i>	32,898	37,761	38,950	35,828	36,334	603,447	442,236	567,619	405,902
A. Identified by IFS	33,997	39,726	40,163	36,767	36,111	602,933	440,734	566,166	404,623
1. Industrial Countries	25,984	29,760	21,957	-91,576	-105,024	359,133	216,055	450,709	321,079
United States	22,824	10,885	-1,909	-137,042	-147,738	-30,768	-68,089	106,274	79,649
Other	3,160	18,875	23,866	45,466	42,713	389,901	284,142	344,435	241,429
2. Other Countries	8,013	9,965	18,206	128,343	141,135	243,799	224,680	115,456	83,545
Oil Exporting	1,203	2,543	3,993	72,488	85,745	114,261	114,617	41,773	28,862
Other	6,810	7,422	14,213	55,855	55,390	129,540	110,075	73,685	54,685
B. Unidentified Discrepancy in IFS Additions	99	2,065	1,213	939	-223	-514	-1,502	-1,453	-1,279

Source: 1. *International Financial Statistics, Yearbook 1981* (1979 for 1949 estimates).
 2. *Federal Reserve Bulletin*, Table 3, 14, line 1 and 3.13, line 60 (see note 4 below).

Notes

- SDR estimates are calculated uniformly at 35 per ounce, and \$ estimates at current market prices and exchange rates.
- Minor divergencies in totals are due to:
 - discrepancies in IFS totals for the world, or for "all countries", and the addition of reported regional sub-totals;
 - rounding off decimals to next million.
- The gold "swap" deposits in the EMCF are included in this Table — and other future tables of mine — under "gold", and valued both in SDRs at 35 per ounce and in dollars at market prices. I apologize to my readers for having been misled in this respect in recent publications by the IFS inclusion of these gold deposits, valued at the EMCF contractual price — close to market price — under "Foreign Exchange" valued in SDRs. I had switched these amounts from "Foreign Exchange" to "Gold", but failed to notice an obscure footnote mentioning that they were calculated at the EMCF price. This latter procedure is — to say the least — bizarre, since these swap deposits are still owned by member countries, whose gold holdings are valued in their own publications at arbitrary prices differing widely from one country to another.
- U.S. liabilities to foreign monetary authorities, reported on line II B 1, include only the *Federal Reserve Bulletin* estimates of "Selected U.S. liabilities to foreign official institutions" and of overseas branches of official institutions. They do not, therefore, include the entirety of foreign exchange holdings identified as *Euro-dollars* in the annual IMF reports, but created in part by non-US banks, nor an identified residual included with those non-US Euro-dollars on line II B 2. This results in an *overestimation* of other countries' reserve currency liabilities and a corresponding *underestimation* of US liabilities, but does not affect the distribution of total reserve currency liabilities between industrial countries and other countries, if one accepts the hypothesis that central banks' foreign exchange holdings are invested exclusively in the industrial countries.

TABLE 2

CHANGES IN INTERNATIONAL MONETARY RESERVES, AND BALANCES OF PAYMENTS: 1970-80
(in billions of SDRs)

	Industrial Countries			Non Industrial Countries			Total (g=c+d)
	United States (a)	Other Countries (b)	Total (c=a+b)	Total (d=e+f)	Oil Exporting Countries (e)	Other Countries (f)	
<i>I. Net Reserves: (A-B)</i>	-134	+66	-69	+105	+80	+25	+37
A. Assets	+3 ==	+143 ==	+146 ==	+136 ==	+82 ==	+54 ==	+282 ==
B. Liabilities (-) Constituting Reserves:	-138 ==	-77 ==	-215 ==	-31 ==	-2 ==	-29 ==	-245 ==
1. Constituting Foreign Authorities' Reserves	-129	-29	-157	-2	-	-2	-159
2. Exceptional Financing	-5	-40	-45	-24	-1	-23	-69
3. SDR Allocations	-4	-8	-12	-5	-1	-4	-17
<i>II. Gold Demonetization and Valuation Adjustments</i>	+4	+1	+6	+6	+3	+3	+11
<i>III. Transactions: (I+II=A-B)</i>	-129 ==	+67 ==	-63 ==	+111 ==	+83 ==	+27 ==	+49 ==
A. Current Account Balances	+3 ==	-78 ==	-75 ==	-61 ==	+166 ==	-227 ==	-135 ==
B. Capital Exports and Errors and Omissions	+133 ==	-145 ==	-12 ==	-172 ==	+83 ==	-254 ==	-184 ==
1. Recorded Capital Exports	+185	-85	+100	-197	+68	-265	-98
2. Errors and Omissions	-52	-60	-112	+25	+15	+11	-86

The European Monetary System and the Dollar etc.

BALANCES OF PAYMENTS AND CHANGES IN INTERNATIONAL MONETARY RESERVES: YEARLY AVERAGES 1970-1980
(in billions of SDRs)

	1969	1970-80	1970-73	1974-78	1979-80
<i>I. Reserve Assets</i>	0.2	26	22	25	36
<i>A. Industrial Countries</i>	-1.1	13	15	13	11
United States	1.2	—	-1	1	2
Other Countries	-2.3	13	16	12	9
<i>B. Non Industrial Countries</i>	1.3	12	7	12	24
Oil Exporting	0.2	7	3	7	18
Other Countries	1.1	5	4	5	6
<i>II. Reserve Liabilities (-)</i>	1.3	-22	-16	-26	-27
1. Constituting Foreign Authorities' Reserves	1.3	-14	-11	-18	-12
2. Exceptional Financing	—	-6	-2	-8	-11
3. SDR Allocations	x	-2	-2	x	-4
<i>A. Industrial Countries</i>	1.3	-20	-15	-22	-22
1. Constituting Foreign Authorities' Reserves	1.3	-14	-11	-18	-12
2. Exceptional Financing	—	-4	-2	-5	-8
3. SDR Allocations	x	-1	-2	x	-3
United States	1.6	-13	-13	-16	-3
1. Constituting Foreign Authorities' Reserves	1.6	-12	-12	-16	—
2. Exceptional Financing	—	—	—	—	-2
3. SDR Allocations	x	—	-1	x	-1
Other Countries	-0.3	-7	-2	-6	-19
1. Constituting Foreign Authorities' Reserves	-0.3	-3	1	-2	-12
2. Exceptional Financing	—	-4	-2	-4	-6
3. SDR Allocations	x	-1	-1	x	-2
<i>B. Non Industrial Countries</i>	0.1	-2	-1	-3	-5
1. Constituting Foreign Authorities' Reserves	0.1	—	—	—	—
2. Exceptional Financing	—	-2	—	-3	-3
3. SDR Allocations	x	—	-1	x	-1
Oil Exporting Countries	-0.1	—	—	—	—
1. Constituting Foreign Authorities' Reserves	-0.1	—	—	—	—
2. Exceptional Financing	—	—	—	—	—
3. SDR Allocations	x	—	—	x	—
Other Countries	0.1	-3	-1	-3	-4
1. Constituting Foreign Authorities' Reserves	0.1	—	—	—	—
2. Exceptional Financing	—	-3	—	-3	-3
3. SDR Allocations	x	—	-1	x	-1
<i>III. Net Reserves I+II=V-IV</i>	1.5	3	6	-1	9
<i>A. Industrial Countries</i>	0.1	6	—	-9	-11
United States	2.7	-12	-14	-16	-1
Other Countries	-2.6	6	14	6	-10
<i>B. Non Industrial Countries</i>	1.4	10	6	9	20
Oil Exporting	-0.2	7	2	7	18
Other Countries	1.2	2	3	2	2

	1969	1970-80	1970-73	1974-78	1979-80
<i>IV. Gold Demonetization and Valuation Adjustments</i>	—	1	3	2	-5
A. Industrial Countries	—	<u>1</u>	<u>2</u>	<u>1</u>	<u>-5</u>
United States	—	—	—	—	2
Other Countries	—	—	2	1	-7
B. Non Industrial Countries	—	—	<u>1</u>	<u>1</u>	—
Oil Exporting	—	—	—	—	—
Other Countries	—	—	—	—	—
<i>V. Transactions Balances III+IV=VI-VII</i>	1.6	4	9	1	4
A. Industrial Countries	<u>0.2</u>	<u>-6</u>	<u>2</u>	<u>-8</u>	<u>-16</u>
United States	2.7	-12	-14	-15	—
Other Countries	-2.6	6	16	8	-17
B. Non Industrial Countries	<u>1.4</u>	<u>10</u>	<u>6</u>	<u>9</u>	<u>20</u>
Oil Exporting	0.2	8	3	7	18
Other Countries	1.2	2	4	2	1
<i>VI. Current Account</i>	-2.2	-12	2	-14	-35
A. Industrial Countries	<u>3.9</u>	<u>-7</u>	<u>9</u>	<u>-7</u>	<u>-37</u>
United States	0.2	—	—	-1	2
Other Countries	3.8	-7	8	-6	-39
B. Non Industrial Countries	<u>-6.2</u>	<u>-6</u>	<u>-7</u>	<u>-8</u>	<u>2</u>
Oil Exporting	-1.2	15	1	15	43
Other Countries	-5.0	-21	-8	-23	-41
<i>VII. Capital Exports and Errors and Omissions VIII+IX</i>	-3.8	-17	-6	-16	-39
A. Industrial Countries	<u>3.8</u>	<u>-1</u>	<u>6</u>	<u>1</u>	<u>-21</u>
United States	-2.6	12	14	15	2
Other Countries	6.4	-13	-8	-14	-22
B. Non Industrial Countries	<u>-7.6</u>	<u>-16</u>	<u>-13</u>	<u>-17</u>	<u>-18</u>
Oil Exporting	-1.4	8	-1	8	25
Other Countries	-6.2	-23	-12	-25	-42
<i>VIII. Capital Exports</i>	-7.2	-9	-8	-7	-16
A. Industrial Countries	<u>1.9</u>	<u>9</u>	<u>5</u>	<u>12</u>	<u>10</u>
United States	-4.0	17	12	19	21
Other Countries	6.0	-8	-8	-6	-11
B. Non Industrial Countries	<u>-9.1</u>	<u>-18</u>	<u>-13</u>	<u>-19</u>	<u>-25</u>
Oil Exporting	-1.8	6	-1	8	17
Other Countries	-7.3	-24	-11	-27	-42
<i>IX. Errors and Omissions</i>	3.4	-8	1	-9	-23
A. Industrial Countries	<u>1.8</u>	<u>-10</u>	<u>2</u>	<u>-11</u>	<u>-31</u>
United States	1.4	-5	2	-4	-20
Other Countries	0.4	-5	—	-8	-11
B. Non Industrial Countries	<u>1.5</u>	<u>2</u>	<u>—</u>	<u>2</u>	<u>8</u>
Oil Exporting	0.4	1	—	—	8
Other Countries	1.2	1	—	2	—

TABLE 4

INDUSTRIAL COUNTRIES: CURRENT ACCOUNT BALANCES, RESERVE CHANGES AND CAPITAL EXPORTS: 1970-80
(in billions of SDRs)

	Current Account (a=b+c) (=e+k+j)	Reserve Assets Unadjust. (b)	Net Capital Exports (c=d+e)	Reserves Liabil. (-) (d)	Gross Capital Exports				Gold Deme- tization Valuation Adjustm. (i)	Reserve Assets Adjusted (j=b-i)	Net Reserves Adjusted (k=j+d)
					Total (e=f+g+h)	Long- Term (f)	Short- Term (g)	Errors & Omissions (h)			
Japan	+28.9	+20.3	+0.6	-0.7	+1.3	+37.3	-37.2	+1.3	+3.8	+16.5	+15.8
Germany	+14.2	+29.3	-15.2	-9.8	-5.4	-2.9	-4.1	+1.7	+3.8	+25.5	+15.7
Switzerland	+14.1	+12.7	+1.4	-1.0	+2.5	(+44.8) ¹	(-5.6) ¹	(-35.9) ¹	+1.8	+10.9	+9.9
Netherlands	+4.0	+4.0	—	-0.4	+0.5	+11.0	-12.3	+1.7	-3.5	+7.5	+7.1
United States	+2.7	+7.6	-4.8	-137.7	+132.8	+102.6	+82.5	-52.2	+4.3	+3.3	-134.4
Italy	-2.5	+19.0	-21.5	-8.0	-13.6	-6.0	-8.8	+1.3	+3.2	+15.8	+7.8
Belgium	-4.0	+1.8	-5.8	-3.8	-1.9	-0.8	-0.4	-0.8	-3.0	+4.8	+0.9
United Kingdom	-5.2	+15.9	-21.1	-34.9	+13.8	+23.5	—	-9.7	-0.3	+16.2	-18.7
France	-14.3	+15.2	-29.5	-1.2	-28.3	+18.0	-23.0	-23.2	-4.7	+19.9	+18.7
Subtotal	+29.9	+125.8	-95.9	-197.5	+101.7				+5.4	+120.4	-77.2
+	+55.9	+125.8	+2.0	x	+150.9				+16.9	+120.4	+75.9
-	-26.0	—	-97.9	-197.5	-49.2				-11.5	x	-153.1
Other Industrial Countries	-105.3	+25.7	-131.0	-17.0	-114.1				+0.2	+25.5	+8.6
Industrial Countries	-75.4	+151.5	-226.9	-214.5	-12.4	+99.7		-112.1	+5.6	+145.9	-68.6

Note:

1. Breakdown for Switzerland include only the years 1970-79, estimates for 1980 not being published yet by IMF.

TABLE 5

INTERNATIONAL INVESTMENT POSITION OF THE UNITED STATES: 1969-1981
(\$ billions)

End of	1969	1972	1978	1979	1980	1981 (provl)	Source: Survey line
<i>I. Money Market, Net</i>	-20	-52	-110	-108	-82	-42	
1. Reserves	-3	-50	-154	-141	-149	-149	
2. Other Treasury & Banks	-17	-2	44	33	67	107	
<i>A. Assets</i>	<u>30</u>	<u>34</u>	<u>149</u>	<u>176</u>	<u>231</u>	<u>320</u>	
1. Reserves	17	13	19	19	27	32	3
2. U.S. Banks' Claims	13	21	131	157	204	288	21
<i>B. Liabilities (-) to</i>	<u>-50</u>	<u>-86</u>	<u>-259</u>	<u>-284</u>	<u>-313</u>	<u>-363</u>	
1. Foreign Official Institutions	-20	-63	-173	-160	-176	-180	-25
2. Other	-30	-22	-87	-124	-137	-183	-41
a) Internat. Financial Institutions	-2	-2	-8	-8	-7	-8	
b) Banks	-24	-15	-60	-90	-100	-139	
c) Others	-5	-5	-19	-26	-30	-36	
<i>II. Other Capital Accounts</i>	<u>78</u>	<u>89</u>	<u>187</u>	<u>203</u>	<u>205</u>	<u>197</u>	
Assets	128	165	298	333	373	390	
Liabilities (-)	-51	-76	-111	-130	-168	-193	
1. Official Assets	<u>31</u>	<u>36</u>	<u>54</u>	<u>58</u>	<u>64</u>	<u>69</u>	8
2. Direct Investments	<u>59</u>	<u>75</u>	<u>120</u>	<u>132</u>	<u>148</u>	<u>136</u>	
Assets	71	90	163	187	213	220	14
Liabilities (-)	-12	-15	-42	-54	-65	-84	-33
3. Portfolio	<u>-13</u>	<u>-23</u>	<u>—</u>	<u>-2</u>	<u>-12</u>	<u>-13</u>	
Assets	19	28	53	57	62	68	15
Liabilities (-)	-32	-51	-54	-59	-74	-81	-34
4. Other	<u>1</u>	<u>1</u>	<u>13</u>	<u>14</u>	<u>5</u>	<u>5</u>	
Assets	8	11	28	31	34	33	18
Liabilities (-)	-7	-11	-15	-17	-29	-28	-37
<i>III. Total Recorded, Net</i>	<u>58</u>	<u>37</u>	<u>77</u>	<u>95</u>	<u>123</u>	<u>155</u>	
Assets	158	199	448	509	604	710	
Liabilities (-)	-100	-162	-370	-414	-481	-555	
<i>IV. Unrecorded</i>	<u>6</u>	<u>15</u>	<u>-7</u>	<u>-29</u>	<u>-59</u>	<u>-85</u>	
1. SDR Allocations (-)	x	-2	-3	-4	-5	-6	
2. Statistical Discrepancies after 1959	6	17	-4	-25	-54	-79	
<i>V. Total: III+IV</i>	<u>63</u>	<u>52</u>	<u>71</u>	<u>66</u>	<u>63</u>	<u>70</u>	
1. Money Market and SDR Allocations	-20	-54	-113	-112	-87	-48	
2. Other Capital, included Statistical Discrepancies	83	106	184	178	150	118	

Sources:

For 1969 and 1972: *Economic Report of the President*, together with the *Annual Report of the Council of Economic Advisers* (January 1981, Table B 103, page 349) for 1972; estimates from 1969 roughly estimated by deducting 1970 balance-of-payments estimates from end of 1970 investment estimates.

For 1978-1980: *Survey of Current Business*, August 1981, Table 3, page 56.

For 1981: end of 1980 estimates, plus 1981 balance-of-payments estimates, not including therefore valuation and other adjustments which will be reported only in the August or September 1982 *Survey*.

Notes:

(1) Line I B1 includes "Other U.S. Government liabilities" related primarily to military contracts (line 29 of the investment tables and line 11 of table 9 of the balance-of-payments quarterly article of the *Survey of Current Business*).

(2) The breakdown of line I B2 is given in the last column of Table 9 of the balance-of-payments quarterly article of the *Survey*.

(3) "Contingent" liabilities for SDR allocations and cumulative "statistical discrepancies after 1959" (under line IV) are added to the *Survey's* estimates. This decreases substantially the reported *decline* in the net investment position (line V) from 1965 to 1972, but also its huge reported increases from 1972 to 1978, and particularly for the last three years (1979-1981). SDR indebtedness is revalued at year's end current exchange rates for the dollar.

TABLE 6

BALANCE OF PAYMENTS OF THE UNITED STATES: 1960-1981
(\$ billions)

	Yearly Averages			Years				Source: Survey line
	1960-69	1970-72	1973-78	1978	1979	1980	1981	
<i>I. Money Market, Net</i>	-2.7	-11.8	-10.9	-18.9	2.5	25.0	39.1	
1. Reserves	-1.3	-17.1	-17.9	-34.3	13.7	-8.5	-1.1	
2. Other Treasury & Banks	-1.4	5.3	7.0	15.3	-11.2	33.5	40.2	
A. Assets	<u>0.3</u>	<u>0.9</u>	<u>18.3</u>	<u>32.9</u>	<u>27.3</u>	<u>55.1</u>	<u>89.6</u>	
1. Reserves	-0.5	-1.6	0.7	-0.7	1.1	8.2	5.2	-38
2. U.S. Banks' Claims	0.7	2.5	17.6	33.7	26.2	46.9	84.5	-(54+55)
B. Liabilities (-) to:	<u>-2.9</u>	<u>-12.7</u>	<u>-29.2</u>	<u>-51.9</u>	<u>-24.8</u>	<u>-30.1</u>	<u>-50.5</u>	
1. Foreign Official Inst.	-0.8	-15.5	-18.6	-33.6	12.6	-16.6	-6.3	
a) SDR Allocations	x	-0.8	x	x	-1.1	-1.2	-1.1	-74
b) Other	-0.8	-14.8	-18.6	-33.6	13.8	-15.5	-5.2	-57
2. Other	-2.1	2.8	-10.6	-18.3	-37.4	-13.4	-44.2	
Banks' Liabilities	-2.0	2.8	-9.2	-16.1	-32.6	-10.7	-41.3	-(72+73)
b) Treasury Securities	-0.1	—	-1.4	-2.2	-4.8	-2.7	-2.9	-68
<i>II. Other Capital Accounts</i>	6.0	10.2	11.6	4.9	-1.1	-21.3	-32.5	
Assets	7.9	15.2	22.4	28.1	35.3	29.7	16.9	
Liabilities (-)	-1.9	-5.0	-10.9	-23.3	-36.4	-51.0	-49.5	
1. Official Assets	<u>1.6</u>	<u>1.7</u>	<u>3.1</u>	<u>4.6</u>	<u>3.8</u>	<u>5.2</u>	<u>5.1</u>	-43
2. Direct Investments	<u>3.7</u>	<u>6.7</u>	<u>8.1</u>	<u>8.2</u>	<u>12.1</u>	<u>7.7</u>	<u>-11.7</u>	
Assets	4.2	7.7	12.4	16.1	23.9	18.5	7.0	-48
Liabilities (-)	-0.5	-0.9	-4.4	-7.9	-11.9	-10.9	-18.7	-65
3. Portfolio	—	-2.1	2.3	1.3	3.2	-2.1	-1.5	
Assets	1.0	0.9	4.5	3.6	4.6	3.3	5.5	-51
Liabilities (-)	-1.0	-3.0	-2.2	-2.3	-1.3	-5.4	-7.1	-69
4. Other	<u>0.1</u>	<u>-0.1</u>	<u>1.6</u>	<u>2.1</u>	<u>1.0</u>	<u>-2.5</u>	<u>0.1</u>	
Assets	0.4	1.0	2.5	3.9	3.0	2.7	(-0.7)	-(52+53)
Liabilities (-)	-0.4	-1.1	-0.9	-1.7	-2.1	-5.1	(0.8)	-(70+71)
5. Discrepancy	0.6	4.0	-3.5	-11.4	-21.1	-29.6	-24.6	-75

	Yearly Averages			Years				Source: Survey line
	1960-69	1970-72	1973-78	1978	1979	1980	1981	
III. <i>Current Account (=I+II)</i>	3.3	-1.6	0.6	-14.1	1.4	3.7	6.6	79
A. Net Income on Past Investments	<u>4.9</u>	<u>7.2</u>	<u>15.9</u>	<u>21.4</u>	<u>33.5</u>	<u>32.8</u>	<u>36.8</u>	
1. Receipts	7.1	13.1	29.9	43.3	66.7	75.9	90.1	(11+14+15)
2. Payments (-)	-2.3	-5.8	-14.0	-21.9	-33.2	-43.2	-53.3	(27+30+31)
B. Current Transactions	<u>-1.5</u>	<u>-8.9</u>	<u>-15.2</u>	<u>-35.5</u>	<u>-32.0</u>	<u>-29.0</u>	<u>-30.2</u>	
1. Merchandise	4.0	-2.0	-11.6	-33.8	-27.3	-25.3	-27.8	76
2. Military	-2.7	-3.2	-0.3	0.7	-1.9	-2.5		(3+19)
3. Other Services	-0.1	—	1.5	2.6	2.8	5.9	4.4	(4 thru 10+20 thru 26)
4. Pensions and Remittances	-1.0	-1.6	-1.8	-1.9	-2.1	-2.4	-2.3	(35+36)
5. Government Grants	-1.8	-2.0	-3.1	-3.2	-3.5	-4.7	-4.5	34
<i>Reconciliation with Recorded Net Investment Position Yearly Change in Recorded Net Position:</i>				6.2	17.6	27.7		} not yet available
A. Valuation and Other Adjustments				<u>8.8</u>	<u>-6.1</u>	<u>-6.9</u>		
B. Recorded Balance of Payments Flows:				<u>-2.7</u>	<u>23.7</u>	<u>34.5</u>	32.2	
1. Exclude SDR Allocations				x	1.1	1.2	1.1	74
2. Exclude Discrepancy				11.4	21.1	29.6	24.6	75
3. Current Account				-14.1	1.4	3.7	6.6	79