

One reason for this is that the Fund, being designed to foster a good financial basis for current transactions arising out of trade and commerce day by day, could not at the same time, directly or indirectly, bear the brunt of heavy and dislocating migrations of capital.

These restraints would not, however, be used to prevent the use of resources of the Fund for capital transactions of reasonable amount required for the expansion of exports, or in the ordinary course of trade, banking, or other business.

Nor would capital movements financed out of a member's holdings of gold and foreign exchange be obstructed, so long as such capital movements are in accordance with the purposes of the Fund; this requirement is quite logical, because without it a member could finance out of its own resources an outflow of capital not consistent with the purposes of the Fund, and then turn to the Fund to make good the resultant depletion of its foreign exchange holdings.

GOLD

The question has been raised in the minds of some who have examined the Monetary Fund proposals as to whether or not they provide for a return to the gold standard.

Membership in the Fund does not involve a return to the gold standard.

A country may join the Fund, remain an active member of the Fund, and develop and strengthen both its domestic economy and its external trade, whether it has large holdings of gold or none at all.

These facts are not prejudiced by the provision for par values of member currencies to be expressed in terms of gold. The limitations on complete freedom to alter par values at will are, for very practical reasons, intended primarily to stabilize member currencies in relation to each other, and not to confer on gold a fixed and unchangeable price in terms of the currencies of member countries.

CHARGES

In order to discourage members from drifting into a chronic state of leaning on the Fund, a scale of charges in respect of drawings on the Fund is provided for.

This scale is so graduated as to increase by $\frac{1}{2}$ per cent. per annum for each successive 25 per cent. of its drawing rights exercised by a member, and by a further $\frac{1}{2}$ per cent. per annum for each year during which such drawings remain unredeemed.

On the first drawing of 25 per cent. no charge is made for the first three months.

When the charge reaches 4 per cent. the question as to ways and means of redeeming the drawings comes up automatically for discussion between the Fund and the member, and if no agreement on this matter has been reached when the rate reaches its scheduled maximum of 5 per cent., the Fund is empowered to impose such charges as it deems appropriate.

The periods which elapse before the maximum rate of 5 per cent. is reached are indicated in the following table:—

Drawings.	Initial Rate, Per Cent.	Year in which Maximum of 5 Per Cent. is reached.
First 25 per cent. of quota*	$\frac{1}{2}$	Tenth.
Second 25 per cent. of quota	1	Ninth.
Third 25 per cent. of quota	$1\frac{1}{2}$	Eighth.
Fourth 25 per cent. of quota	2	Seventh.

* No charge for first three months.

The principles governing these charges came under some criticism at the Conference. This arose from the fact that the charges would not only penalize members which leaned on the Fund too heavily and for too long, but would also (though in a lesser degree) penalize members which strictly carried out the intentions of the Fund by using the Fund's resources temporarily in order to maintain a reasonable flow of imports during a short period of exchange stringency.

The view was stressed by the New Zealand Delegation that it would be more equitable that any charge which could be regarded in the nature of a penalty or a deterrent should be prescribed only for members which failed to act in accordance with the purposes of the Fund—whether by importing too much or too little in relation to their exports.

The scale of charges was, however, adopted on the grounds that it was in accordance with normal practice to charge interest on international financial accommodation, and that the scale was fairly graduated to meet the conditions under which the various rates would be levied.