

Hamburg Institute of International Economics (HWWA) (Ed.)

**Article — Digitized Version**

IMF: What's to be done with gold?

Intereconomics

*Suggested Citation:* Hamburg Institute of International Economics (HWWA) (Ed.) (1968) : IMF: What's to be done with gold?, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 03, Iss. 11, pp. 324-, <https://doi.org/10.1007/BF02930042>

This Version is available at:

<https://hdl.handle.net/10419/138053>

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# COMMENTS

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## *Pakistan*

### **Modesty Leads to Success**

Successful development work need not be concentrated onesidedly on building up industrial production—this is convincingly shown especially by recent experiences of Pakistani planners. During the third budget year of Pakistan's Third Five-Year Plan (1965/1970), the Governor of the National Bank of Pakistan, M. Rashid, proudly pointed to a growth rate of the country's GNP of 8.3 per cent. The main contributory factor for lifting GNP growth beyond the planned average rate of 6.5 per cent p.a. seems to have been the fact that the Plan focuses much of its efforts on agriculture and its improvement. So, modernisation of the methods of working the land, increasing the size of the areas under the plough, and the use of improved seeds, combined to boost overall harvest results by 16.3 per cent, and grain production even by 21 per cent. Should Pakistan succeed in continuing with this rising trend, self-sufficiency in food production and a considerable saving of valuable foreign currency may become an attainable goal in the foreseeable future.

However, in spite of farming being accorded priority, industrialisation is not being neglected by Pakistan. But in this field, too, the country's leadership uses its good sense to stick to programmes that are realisable and keeps away from super-planning of super-utopias. Pakistan's next industrial aim is the expansion and modernisation of its textile industry. Well thought-out export promotion programmes and increased activity of government agencies negotiating for the dismantling of obstacles hindering deliveries to industrialised countries have been characteristic of the work of recent months. It appears desirable that western governments examine Pakistan's requirements regarding trade policies with particular benevolence, for expansion of traditional commerce might strengthen the country's innate energies enabling it to help itself. ke.

## *IMF*

### **What's To Be Done With Gold?**

The first question to be debated during the recent annual meeting of the International Monetary Fund was that whether the IMF or other currency authorities ought to resume their gold purchases from South Africa—and this discussion soon degenerated into a US-South African "confrontation".

After the dust had settled, the result was a gentlemen's agreement, underwritten also by the US, which will enable South Africa to sell gold to the national issuing banks forming the Bank for International Settlements, provided the price of gold drops for a certain minimum period below US \$35 per ounce troy. This, however, hardly affects the endeavour to make the international currency system progressively more and more independent of gold, through having split the gold market and through having introduced special drawing rights. The new arrangement will, of course, not have perpetual validity though, as is usual with gentlemen's agreements, no formal time limit has been set for its remaining in force, but this also means that it can be terminated at a moment's notice. Looking at the situation soberly, South Africa will find that its gold production has only been granted a period of grace for adapting itself, without fear of a recession, to the requirements of a free market. An intermediate regulation of this type is also in the interest of the leading countries of the international currency system, for South Africa might be able to manipulate the supplies of the precious metal to the gold markets, so that unceasing fluctuations would be the result, thus inescapably undermining gold's reputation as the currency metal even further and leading to its over-hasty demonetisation.

The international myth of gold has been destroyed, anyway, after all the world has seen that the metal's value is mainly an object of private speculation in the free market. For this reason, it is to be highly welcomed that a sufficiently big majority of countries was evidently prepared in Washington to work speedily for an early use of special drawing rights. re.

## *UNCTAD*

### **Institutional Checks**

It has become clear some time ago, but at least since the meeting at New Delhi, that world trade conferences do not only produce few tangible results but form a positive stumbling block to practical progress because of the rigidity of their methods of deliberation and the extreme length of their duration.

That is why the suggestions on organisational reform made by the UNCTAD Council—in its concluding report on its 7th session—deserve of particular attention. An especially sensible proposal seems to be the projected separation of functions between the World Trade Conference and the Council of UNCTAD.