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## Special drawing rights — A first accounting

Intereconomics

*Suggested Citation:* scharrer, Hans-Eckart (1970) : Special drawing rights — A first accounting, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 05, Iss. 8, pp. 235-, <https://doi.org/10.1007/BF02928896>

This Version is available at:

<https://hdl.handle.net/10419/138371>

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# Special Drawing Rights – A First Accounting

For over seven months now the international monetary system has been enriched by an additional reserve medium, the Special Drawing Rights (SDR). During the initial half year period following their introduction 46 out of the 104 countries participating in the scheme, had disposed of SDR to the tune of \$ 558 mn. This amount, equivalent to 16 p.c. of the total allocation of \$ 3,414 mn, is unexpectedly small. In fact, no more than 12 countries drew their full allocation and a further 34 called on only part of their entitlements.

Up to the present there can be no clear judgement on the question whether this slow beginning speaks for those monetary experts who did not foresee any slackening of balance of payments discipline as the result of the creation of SDR. The fact remains that SDR to the equivalent of approximately \$ 304 mn only were used for purchases of convertible currencies and thus the financing of balance of payments deficits. It cannot be surprising that, with the exception of Italy, developing countries only drew their allocations for these purposes. After all, they suffer from chronic shortage of foreign exchange and did, moreover, announce their intentions quite clearly earlier on.

An almost equal part of the drawings served the repayment of credits from the IMF. This kind of utilisation on principle appears unobjectionable or even desirable in view of the aiming at as steady as possible an international payments development. According to conventional methods the redemption of currency debts requires the achieving of a balance of payments surplus in the debtor countries, which however can be forthcoming only by other countries showing a (larger) deficit. If debts are settled by the use of SDR no such need arises. There are good reasons for supposing that a mere re-establishment of the external equilibrium in the deficit countries is much more in the overall interest than the change to a balance-of-payments surplus. There is, however, the danger of examples to get rid of currency debts by way of a gift of liquidity to find adherents and in the long run to stand in the way of any incentive for an equilibrium of the balances of payments.

As a result of the cautious beginning of the working of the SDR mechanism, the countries with strong reserves at their disposal willingly purchased this new medium. Twenty-two countries shared between them in the purchases of SDR. Their broad spreading is interesting: apart from typical industrial countries also such countries as Korea, Algeria, Zambia, Chile and the Congo were among the recipients. This very spread reflects the IMF policy to give this new instrument right from the beginning as broad a basis as possible. It must, however, not be left out of sight that the size of the purchased amounts has in each case been negligible and therefore these transactions are not a reliable evidence for a general preparedness also to take over larger sums in the long run. After all, Germany, for instance, has so far surrendered only \$ 46 mn, or 1 p.c. of its foreign exchange reserves of \$ 4,200 mn against SDR.

After the successful launching, the long-term functioning of the system is likely to depend essentially on the success of the IMF's endeavours to prevent a loosening of the balance of payments discipline. In the course of its designation policy the IMF will therefore in future have to watch over it that the pledge to harmonise the reserve structure, as laid down in Schedule G, paragraph 1 (b), which is the only effective brake against excessive deficit financing with the aid of SDR, will be observed and carried out purposefully.

*Hans-Eckart Scharrer*