

TREASURY DEPARTMENT

Washington

(The following address by Secretary Snyder in his capacity as Chairman of the Boards of Governors of the International Bank for Reconstruction and Development, and the International Monetary Fund, is for release upon delivery which is expected to be about 4:30 P.M., E.S.T., Friday, September 27, 1946.)

I welcome you to Washington. And I take this opportunity of expressing my deep appreciation of the honor of serving as your Chairman.

I am conscious of the great responsibility which we share as Governors of the Boards of the World Fund and World Bank during this critical period. The agreement reached at Bretton Woods two years ago was possible only because of the convictions we shared that postwar problems would be complex, and would require unprecedented international cooperation. These expectations have been realized; the magnitude of our postwar international economic and financial problems has more than taxed our individual abilities. We must now actively assume our share in the task of building a permanent peace and providing a prosperous life for the peoples of the world. We must not fail to meet this challenge.

We are now beyond the blueprint stage of Bretton Woods. Last March at the Savannah Conference we established the basic operating structure under which these institutions of international cooperation would function. The period since the Savannah Conference has been one of building the organizations. Basic procedures and policy have been explored by the Executive Directors of the Fund and Bank and the important task of choosing key personnel has been practically completed. The election of Mr. Camille Gutt as Managing Director of the Fund and Mr. Eugene Meyer as President of the Bank has inspired confidence in the institutions whose operations they have been chosen to guide. I wish to commend the Executive Directors for their excellent work during this organizational period.

The initial period of building the structures of the Fund and Bank is at an end. From now on they will be operating agencies in their appointed fields. If I may be permitted to express the keynote of this second meeting of the Boards of Governors, it is this: Let us lose no time in speedily activating the Fund and Bank as effective instruments in a world sorely in need of their services.

The Fund and Bank were designed to meet both the immediate postwar and the longer term monetary and financial needs of the world.

I think we may take pride in saying that since the end of the war, no nation - despite its many other woes and troubles - has been denied the financial means of obtaining temporary relief and assistance. As the world shortages of goods are overcome, however, financial needs will become even more apparent than they now are. The war-devastated countries must now be put in a position to restore production as rapidly as possible on a scale adequate for home use and for export.

It has been the privilege of the United States to offer leadership in positive action toward international peace and economic stability, through encouraging the formation of the United Nations organization, Bretton Woods and other international groups. And in furtherance of the ideals and objectives of these endeavors, the United States has been privileged to offer considerable financial aid in an earnest effort to reestablish economic equilibrium in the war-devastated countries, as well as in those countries materially affected by the effects of the war. In making this contribution, the United States has been prompted not only by its recognition of the great needs of other nations, but also because, as a member of the world family, the intelligent self-interest of the United States recognizes that all of us must move forward together.

As a part of this broad program, since V-E Day, our Export-Import Bank has made loan commitments of over \$2,000,000,000, the bulk of which has been for reconstruction purposes. When the United States Congress increased the lending power of the Export-Import Bank in 1945 from \$700,000,000 to \$3,500,000,000, it did so not only in recognition of the world's urgent reconstruction requirements but in the expectation that the International Bank would soon become the principal international lending institution. Despite the very large loan commitments already made by the Export-Import Bank and by the United States and other governments, there remain large credit needs which should be met if we are to have a stable and prosperous world. As we all know, the International Bank must now assume the primary responsibility for underwriting reconstruction loans to countries otherwise unable to borrow on reasonable terms. I am sure that all of us in the Bank are conscious of how far-reaching our operations will be, even though necessarily tempered by the distinctions between prudent lending and improvident borrowing.

In addition to assisting in the restoration of war-devastated areas, the Bank will have an enduring function in stimulating the flow of international capital for development purposes. Many parts of the world are in need of funds in order to develop their productive resources or to improve existing facilities. The economic goal of the United Nations is productive employment for all who are able and willing to work, and better living standards for everyone.

It is equally urgent that the International Monetary Fund begin full operations at an early date. During this critical period, when nations are endeavoring to restore their currencies, they need the help that the Fund is designed to provide. We all know that no government can function internally or externally without a sound currency system. Every encouragement should be given to countries to get rid of currency restrictions, wartime or otherwise, which are designed to cover up fundamental weaknesses. We must not allow the restrictive and discriminatory trade and currency practices which were forced upon many countries prior to and during the war to become permanent fixtures of international commerce. The Fund can provide timely assistance to countries in maintaining imports while their export industries and foreign markets are being restored.

There are many obstructions in world trade, closely related to monetary and financial arrangements, but the existence of the Fund and Bank as operating institutions will greatly facilitate their removal. We should expect no overnight solutions of these problems, since some members of the Fund will necessarily retain certain controls during the transition period. However, a most immediate task of the Fund should be to encourage and assist all of its members in removing these restrictions as rapidly as possible. We have long since agreed that we must attack these problems together. Active leadership on the part of the Fund in this regard is essential if world trade is to be restored to a high level and if economic warfare among nations is to be avoided.

One of the most important jobs on which the Fund is now engaged is to determine by agreement with each member country the par value of its currency. If we are to avoid the economic consequences of improper exchange rates, and avoid the competitive undermining of the exchange rate structure, we must determine by cooperative action a pattern of rates which will be consistent with the maintenance of international equilibrium and stability of international currency values.

An early stabilization of exchange rates at their proper levels will give encouragement to the flow of international commerce and investment, and give confidence to people everywhere in their own currencies. Everyone must realize that this is a most complicated and difficult task. The mere attempt to do this is a great pioneering step, and although we shall undoubtedly find obstacles and resistances, I am sure we shall be successful if we have the full cooperation and the confidence of the member nations.

A function of the Fund which I want to emphasize is that of promoting common standards of fair practice in monetary and financial relations among nations. In discharging this function the Fund must be a flexible instrument capable of adjusting to changing international economic conditions. At this time I believe that our success can be measured by our development of acceptable standards to which all countries are willing to adhere. Healthy economic competition undertaken in an atmosphere of international good will is wholesome and will contribute to the expansion of international trade. Economic warfare reduces trade and creates suspicion among nations. We cannot afford to permit economic warfare to weaken the bonds which hold the United Nations together.

Among the problems with which the Boards of Governors will want to deal at this meeting is that of considering the applications for membership which have been made since the Fund and Bank came into existence. It has always been contemplated that eventually other nations would want to join. Obviously, the Fund and Bank will gain strength if the largest possible number of peace-loving nations join with us. All but six of the 44 nations represented at the Bretton Woods Conference have joined the Fund and all but seven are members of the Bank. I sincerely hope that all peace-loving countries will see their advantage in becoming members of both institutions in the very near future. Cooperation in the economic world is no less important than cooperation in the political world. It is essential to the peace and prosperity of all nations that they operate under the same fundamental rules in their business dealings with one another. The charters of the Fund and Bank are drawn broadly enough to encompass various types of economic and trading systems. In this world of rapid change and widely differing systems of economic and political organization, it is essential that we reach an agreement on common standards of fair practice in international dealings.

The world is looking to us as we begin our task of putting the Fund and Bank in full operation. At Bretton Woods we gave a war-weary world the promise of peaceful trade and economic prosperity. In joining the Fund and Bank, our respective governments have not only invested large sums of money, but they have in a considerable measure staked their economic destinies on the success of these institutions. We must not fail our governments and, above all, the hopeful people they represent.

The spirit of cooperation and enthusiasm which we show here, will carry over into the day-to-day operations of the Fund and Bank. I can ask no more than that the members of the Boards of Governors gathered together at this meeting will have the same spirit of cooperation, and the same faith and will to succeed, as was manifested two years ago at Bretton Woods, and again at the Savannah Conference last March.

We have the machinery - let us put it to work.

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