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(The following statement by Mr. Camille Gutt, Managing Director of the International Monetary Fund, was made upon presentation to the Board of Governors of the Annual Report of the Executive Directors of the Fund.)

Mr. Chairman, I present to the Board of Governors the Annual Report of the Executive Directors of the International Monetary Fund. I regard it as a privilege to have the honor to place before you this first statement of the work of the Fund.

We all share a great satisfaction in the realization that the Bretton Woods Institutions are at last at work. It is overshadowed by the deep regret that we are deprived of the presence of Lord Keynes on this occasion. We shall miss his wise council and his good fellowship.

We have no miracles to report, unless it is that the International Monetary Fund is proceeding with its work. This is simply a report of duties that have been performed and of tasks that lie ahead.

It is impossible to give in detail in an Annual Report the great mass of day-to-day work involved in placing a new institution in operation. All that can be done is to highlight the major developments. On May 6, the Executive Directors held their first meeting in Washington. They have worked steadily since then to transform the Fund from a blueprint into a functioning institution. The progress we have made is very largely the result of their labors.

In this, they have been ably assisted by a staff of one hundred people from fifteen countries. It has not been easy to build up a staff of the high standard of technical competence that is required for our work, especially as we must, as far as possible, take account of geographic distribution. There is everywhere a shortage of the kind of personnel our organization needs. For this reason, the staff is being recruited slowly and carefully. It is hoped that as time goes on we shall draw on every member of the Fund, and that we shall have a representative international staff.

The Executive Directors have been particularly concerned with making careful preparation for beginning the operations of the Fund. They have, during the past few months, devoted a large part of their time to the rules and regulations which are presented to you for review.

These rules and regulations will facilitate smooth every-day operation of the Fund and ease its working relations with members.

Because the Fund is engaged in a new field of international economic cooperation, it is not possible to foresee all the questions that will come up in the course of our work. From time to time there will be need, therefore, for modifications in our rules and regulations. As changes and additions become necessary, they will be made on the basis of experience, and they will be presented at future meetings of the Board of Governors for your review.

With the progress already made in organization, the Fund has reached the stage where it will soon be in a position to engage in exchange transactions. The Executive Directors decided, therefore, to request member governments to communicate to the Fund the par value of their currencies as provided in the Fund Agreement. These communicated par values will be considered by the Fund and members, and it is hoped that before many months elapse, the Fund will reach agreement with most countries on the initial par value of their currencies.

The Executive Directors are mindful that conditions are not ideal for determining at this time the ultimate structure of exchange rates. Agricultural and industrial production is still below the pre-war level in the twelve member countries in Europe and Asia that were occupied by the enemy. Additional foreign capital is necessary for reconstructing the war-devastated areas. Nearly all countries are suffering from inflationary pressures and some currencies will have to be rehabilitated. Other international economic problems, particularly commercial policy, remain to be dealt with. And many grave political problems must be settled before there can be confidence in an enduring peace.

Notwithstanding these difficulties, the Executive Directors have come to the conclusion that it is desirable to proceed now with establishing initial par values for currencies that already have an element of stability. For the currencies of other countries, agreement on par values can be postponed until their economic and monetary situation becomes more stable. In the meantime, a core of exchange stability in the initial par values will make it possible gradually to fit all currencies into the world structure of exchange rates. In this way, the prospect of establishing orderly exchange arrangements will be greatly enhanced.

The Fund will begin exchange transactions with members as soon as practicable after agreement on initial parities. The Executive Directors are aware that this course involves some risks, but they believe that the risks are outweighed by the advantages. There will doubtless be times during the coming year when some members will need temporary assistance in meeting deficits in their balance of payments. If they can get such help from the Fund, the prospect of maintaining stability of the exchange will be greatly improved. In those cases in which a member is not in a position to use the resources of the Fund in an appropriate manner for temporary assistance, the Fund can postpone exchange transactions with that member in accordance with the Fund Agreement.

I call to your attention this statement from the Annual Report to which the Executive Directors wish to give special emphasis:

"It is clear that in starting operations at a time when much remains to be done in reconstructing the war-devastated economies, the Fund runs the risk that some of its resources may be used for other than temporary assistance. There will at times be differences of opinion as to whether a member is making proper use of the Fund's resources. There are certain to be disappointments because of the restraints placed on use of the Fund's resources by some members. And there will, no doubt, be errors of judgment in assuming risks of one kind or another. The Executive Directors consider it their duty to bring to the attention of the Board of Governors the fact that in the early period of its operations, the Fund may take risks that would not be justified under normal circumstances.

"For a variety of reasons, the exposure to risk may not, however, be as great as might appear at first sight. First, certain creditor countries in a position to do so have already made substantial loans to aid in reconstruction. Second, the International Bank will supplement what reconstruction loans are made available directly by governments and through the private capital market. Third, as indicated above, the Executive Directors will exercise the power to limit or postpone exchange operations with countries whose economies are so out of balance that their use of the Fund's resources would be contrary to the purposes of the Fund Agreement, or prejudicial to the Fund or the members. Finally, the Executive Directors will have the situation under constant review and will take appropriate action if the situation warrants."

There is no disposition among the Executive Directors to underestimate the difficulties or to overestimate the scope of the Fund's work. The Fund cannot itself solve the economic problems which face the world. It was not intended to do so. The Fund can help to promote the balanced expansion of international trade and investment and, in this way, contribute to the maintenance of high levels of employment and real income. But only through appropriate national and international economic policies in a world at peace can these employment and production goals be achieved. The Fund will do its best to keep the machinery in motion. It will need the help of the other international economic organizations. But the major part of the task must be done by the countries themselves.

The powers of the Fund are limited, but its influence can be great. There is much the Fund can do, in its special field, to help in restoring the world economy. It provides a center of order and stability toward which all countries can progress and from which they can secure help in reaching this goal. We cannot sit back and wait for normal times. We must do everything possible to meet the problems of the present and prepare to meet the problems of the future. There will always be some seemingly good reasons for doing nothing. But there are better reasons

for constructive action directed toward worthwhile ends. Our task is to give now an element of strength and assurance, of firm determination to achieve our objectives, which can be of notable help in dealing with post-war problems.

There is another important matter in connection with the work of the Fund. The countries that have joined the Fund have accepted the principle that the economic well-being of each country depends in large measure on the well-being of all. They have given to the Fund important powers in dealing with international economic problems. If the Fund is to succeed in the task with which it has been entrusted, it must approach these problems from a truly international point of view.

That is the spirit that has prevailed among the Executive Directors. There has been a broad understanding and a conciliatory attitude that augurs well for the future of the Fund. The Executive Directors have discussed fully and frankly the problems they foresee. While there have been differences of opinion, the Executive Directors have been unanimous in their desire to deal in a practical way with each question as it has arisen. It is gratifying to me to have the opportunity to work with them and with you to bring to fruition the high ideals of Bretton Woods.