

INTERNATIONAL BANK AND FUND

FOR THE PRESS

First Annual Meeting

Release #2 (Fund)

September 27, 1946.

FOR RELEASE WHEN DELIVERED, EXPECTED TO BE ABOUT 10:00 A.M.
Monday, September 30

Mr. Camille Gutt, Chairman of the Executive Board and Managing Director of the International Monetary Fund, today presented the first Annual Report of the Executive Directors to the Board of Governors of the Fund, now meeting in Washington. The report discusses the operations and policies and the problems confronting the Fund.

In presenting the report, Mr. Gutt said the Executive Directors have been working since May to "transform the Fund from a blueprint into a functioning institution". The Fund has built up a competent staff of one hundred persons from more than fifteen countries. The Executive Directors have considered the questions referred to them by the Board of Governors, and prepared a set of operating rules and regulations for review by the Board of Governors.

The Executive Directors have called on members to communicate the par values of their currencies, and agreement on the initial par values of most currencies is expected in the next few months. Mr. Gutt explained that the Executive Directors are mindful that conditions are not ideal for determining at this time the ultimate structure of exchange rates. They decided, however, that it is desirable to proceed now with establishing initial par values for the currencies that already have an element of stability. A core of exchange stability in the initial par values will make it possible gradually to fit other currencies requiring rehabilitation into the world structure of exchange rates. In this way, the possibility of disorderly exchange developments will be greatly diminished.

The Fund will begin exchange transactions with members as soon as practicable after agreement on initial parities. The Executive Directors believe that an early beginning of exchange transactions will help members to maintain stability in their rates by assisting them in meeting temporary balance of payments deficits. If necessary, the Fund can postpone transactions with any member which is not in a position to use the resources of the Fund in accordance with the purposes and provisions of the Agreement.

Mr. Gutt called the attention of the Board of Governors to the following statement in 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 for Reconstruction and Development will supplement what reconstruction loans are made available directly by governments and through 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."

Mr. Gutt said the Executive Directors do not underestimate the difficulties nor overestimate the scope of the Fund's work. The Fund cannot by itself solve the economic problems which face the world. It was not intended to do this. Only through appropriate national and international economic policies in a world at peace can high levels of employment and real income be achieved. The Executive Directors believe the Fund can make an important contribution to the realization of these goals.

"The Fund must do everything possible to meet the problems of the present and prepare to meet the problems of the future," Mr. Gutt said. "There will always be some seemingly good reasons for doing nothing. But there are better reasons for constructive action directed toward worthwhile ends. The task of the Fund 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."

In concluding his presentation of the Annual Report Mr. Gutt paid tribute to the work of the Executive Directors.

"There has been a deep sense of understanding and a conciliatory attitude that augurs well for the future of this institution," he said. "The Executive Directors have not glossed over the difficulties that will confront the Fund. They have discussed fully and frankly the problems they foresee. While there have been differences of viewpoint, 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."