

Suggested Bretton Woods Insert for President's Budget Message

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As the end of the war in Europe approaches, our hopes and plans for a better world in which our political ideals will flourish must begin to take concrete form. Peace and security can not be obtained through political cooperation alone. The war and the period that immediately preceded it are graphic proof that healthy economic relations between the nations of the world are essential to the maintenance of stable political relations. We have learned that just as the United States cannot afford to be isolationist in its political philosophy, neither can it stand the malignant effects of economic isolationism.

Last July the United Nations Monetary and Financial Conference formulated Articles of Agreement for the establishment of an International Monetary Fund and an International Bank for Reconstruction and Development. These institutions will be integral parts of a broad program for cooperation among the United Nations in those areas of economic contact where failure to adopt common policies will result in economic "spite fences," cut-throat competition and economic warfare.

A concrete program for international monetary and financial cooperation at an early date is essential for several reasons. In the first place, all countries agree that a solution must be found for the evils that stem from unstable exchange rates, competitive currency depreciation and discriminatory and restrictive exchange practices. Secondly, the need for

international investment will be most acute during the period of reconstruction immediately following the war and the type of credit structure in existence at that time will have a far-reaching effect upon the character of reconstruction and the speed with which it is accomplished. Finally, the period between the two World Wars has made it evident that cooperative economic efforts will be fruitless in the absence of a sound and stable international monetary and financial system. It therefore is imperative that the Fund and the Bank be established at once in order that they may be properly staffed and equipped to cope with the problems which are already developing as the countries in Europe are liberated.

When the war ends, the United States will be the strongest financial power in the world. The other United Nations look to us for leadership in matters of finance and the American people are being called upon to discharge responsibilities in this field which are as challenging as they are novel. The Bretton Woods agreements squarely raise these issues. Accordingly, I will shortly recommend the acceptance of the agreements and the enactment of legislation that will permit the United States to make its proportionate investment in the Fund and the Bank.