

Material to be Inserted in President's Budget Message

As the end of the war 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 prove, beyond a shadow of a doubt, that economic relations of the nations of the world are equally as important as their political relations. The end of the war must find the United States prepared for economic as well as political cooperation with the United Nations. We have learned that just as the United States can not 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 all the areas of economic contacts where the failure to adopt common policies will result in discrimination, unfair practices and economic warfare. Encouraging progress has been made with other proposals for the cooperative settlement of international problems and should soon be ready for submission to the Congress.

Foreign exchange and international investment have been made the subject of formal consideration at an early date 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 financial system. For these reasons it is imperative that the Fund and the Bank be established before the war is over in order that they may be in a position to commence operations as soon as the need for them is felt.

When the war ends, the United States will be financially the strongest country in the world. The other United Nations ~~will~~ look to us for leadership in matters of finance and the assumption of this position and the discharge of its responsibilities is an issue which has been placed squarely before the nation by the Bretton Woods agreements. 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.