

ADDRESS BY THE PRESIDENT OF THE UNITED STATES OF AMERICA ¹

John F. Kennedy

This is the second time that I have had the opportunity to welcome you to Washington, and I do so with the greatest pleasure and satisfaction. Yours is a very vital role in the defense of the free world. Your contribution to financial and economic stability among the nations of the world is essential, and the results of these efforts will determine in a very large measure whether or how much each nation can use our resources, generous as they are, in the best interests of all of our people.

Since I last met with you, we have suffered the loss of one of the great leaders of the International Monetary Fund, Per Jacobsson. He served the Fund with skill and dedication. He combined a great deal of wisdom with good humor. We will miss him, but the indelible mark that he left upon your work and upon the monetary systems of the world and upon the IMF will continue to guide us.

To his successor, Mr. Pierre-Paul Schweitzer, I extend my best wishes as he now guides the Fund. We are grateful to France for releasing him for this service. His broad talents and experience equip him admirably for the heavy responsibilities which now press upon him.

I am glad, too, that the Bank was able to find a talented successor to Mr. Eugene Black. Mr. Black's genius helped give this institution the best reputation any bank or banker can have, a reputation for combining prudence with constructive generosity. I am pleased that Mr. George Woods has been selected to sustain this tradition.

¹ Delivered at the Opening Joint Session, September 30, 1963.

Twenty years ago, when the architects of these institutions met to design an international banking structure, the economic life of the world was polarized in overwhelming, and even alarming, measure on the United States. So were the world's monetary reserves. The United States had the only open capital market in the world apart from that of Switzerland. Sixty per cent of the gold reserves of the world were here in the United States. The war-torn nations of Europe and the Far East faced difficult tasks of reconstruction with depleted and inadequate capital resources. There was a need for redistribution of the financial resources and the financial strength of the free world. And there was an equal need to organize a flow of capital to the impoverished and underdeveloped countries of the world.

All of this has come about. It did not come about by chance but by conscious and deliberate and responsible planning. Under the Marshall Plan and its successors, liberal assistance was given to the more advanced nations to help restore their industrial plant, and development loans were given to less developed countries. In addition, private American capital was made freely available, and there was a steady liberalization of our trade policies. In this effort, your institutions and, more recently, a growing number of industrialized countries have played an increasingly important role.

We are now entering upon a new era of economic and financial interdependence. The rise of trading blocs such as the Common Market offers a new and greater challenge for trade liberalization. The United States has prepared itself to take advantage of those opportunities by legislation permitting an unprecedented reduction of trade restrictions and trade barriers. Our gold reserves are a healthy but not excessive 40 per cent of the world's holdings.

Largely as a result of these changes, this nation is engaged today in an effort to bring our international accounts into equilibrium and to maintain the necessary strength behind the dollar. This is not merely, I believe, in our own interest. It is in the interest of all who have placed their faith in the dollar.

To this end we have taken several steps to reduce the drain on our balance of payments. First, we are making a major effort to

increase our exports in the flow of trade between the United States and other free nations. Second, we are initiating further savings in our overseas dollar expenditures. Third, we are seeking to slow down the very rapid increase in overseas demands on our capital markets as well as to retard the outflow of short-term capital resulting from interest rate differentials. Fourth, we intend to maintain stable price levels and increase the attractiveness of investment in the United States.

We do not seek by precipitous acts to improve our position at the expense of others. We do seek by comprehensive effort, consistent with our international responsibilities, to reduce outflows which are weakening our capacity to continue to serve the world community. In short, every nation in the world has a direct interest, for the dollar is an international currency and the security of the dollar therefore involves the security of us all.

The operations of the International Monetary Fund, the International Bank for Reconstruction and Development, the International Finance Corporation, and the International Development Association all play important roles in this effort. Their techniques of cooperative action and the availability of their resources permit capital to be deployed around the world in the most effective and efficient manner.

In a special message to the Congress on the balance of payments, I announced that the United States had for the first time entered into a stand-by arrangement with the Fund. The attendance of all of you at this meeting underscores the extent of world involvement in these institutions and the determination of so many nations to work together for mutual strength. We have been able to do this in so many fields and we have done it, it seems to me, with such success in recent months and years that I am confident that that intimate association will continue to grow and to prosper.

During the past year many of you have cooperated either through the international organizations or through your own central banks in an improved approach to the problems of the foreign exchange and gold markets. Credit facilities and reserve-holding techniques have been improved. The international monetary systems met with

ease the Cuban crisis last autumn, the strains upon sterling earlier in 1963, and the evidence that our own payments situation had not developed as well as we hoped in the first half of this year. This performance has benefited every nation, large and small, but success should not, I believe, be an encouragement to inaction. This nation—the United States—must continue its efforts to meet the balance of payments problems now confronting us, and we must all assure ourselves by preparations now that we will be ready to meet the international monetary problems of the future.

I am pleased to learn that studies of these problems and of appropriate measures to deal with them are about to be launched. There is a sharp distinction, however, between long-term questions of international liquidity and the current problems of international imbalance. We do not intend to neglect the latter while pursuing the former.

This Government considers our tax reduction and reform program which has recently been approved by one House of the Congress to be the most important action that Congress can take now to improve our long-run position. It should help attract capital investment, improve our ability to sell goods and services in world markets, stimulate the growth of our economy and the employment of our people, give greater freedom to monetary policy, and play a vital supporting role in our determination to achieve equal rights and opportunities for all of our citizens.

In other areas, including the interest equalization tax and the other steps that I have noted, and the forthcoming trade negotiations, we are proceeding in our efforts to bring our payments into balance. We are proceeding with caution. We are fully aware of the effects of our actions on our friends, but, no one should confuse caution with any lack of determination. We are determined to do whatever must be done in the interest of this country and, indeed, in the interest of all, to protect the dollar as a convertible currency at its current fixed rate.

We are determined—and I believe in your interest as well as our own—to maintain the firm relationship of gold and the dollar at the present price of \$35 an ounce, and I can assure you that we will do just that.

We recognize that the reserve position of other countries is a mirror image of our own; and, as the United States moves toward equilibrium, it will be more difficult for others to increase their reserves. Some nations will be more handicapped than others, but no nation should be forced to make drastic alterations in its domestic and trading policy because of short-run movements in its reserve position. The United States, therefore, stands ready to support such measures as may be necessary to increase international liquidity.

Patience will be required in working out these problems. The balance of payments is not a problem to be cured by a single all-purpose medicine. Each country is challenged to find the appropriate blend of fiscal, monetary, trade, and other policies that will enable interest to play its proper role in sustaining rather than straining the system of international payments.

But patience is not the enemy of progress, and I think the last 20 years have provided impressive proof of the benefits of international financial cooperation. We are linked so closely together; our economies are tied so intimately. It is so essential that all of our people benefit and prosper that I am confident that you gentlemen who occupy a position of high responsibility, working intimately together, can maintain our system so that we remain its master. For us to move in an opposite direction, of course, would be not only distressing but inimical to our common interests.

The men who gathered at Bretton Woods 20 years ago were criticized by both those who said that no institutions were needed and those who said that nothing useful could be done. Their effort and the success which crowned it are a warning against both pessimism and excessive self-satisfaction.

Today we all believe in the achievements of intelligent cooperation; and under the wise and imaginative leadership of the Governors here assembled, I feel sure this cooperation can be enlarged and extended. There is no more important group, it seems to me, in the free world than you gentlemen who are here; no group, it seems to me, bears greater responsibility. If you are able to conduct your affairs with success, it benefits all of the people

all around the globe, and therefore we regard this meeting as perhaps the most important that takes place in our capital this year. Your success will make possible all of the great efforts of the free world which have had such an astonishing and, I think, dazzling effect upon international relations and the security of the West. Your role, therefore, I regard as essential, and we believe in the achievements of a determined and intelligent cooperation which will benefit all of our people.

I look forward in the years ahead to continued progress, to continued gain, to continued expansion toward the goal of economic health for all nations, for this goal—second in urgency to the quest for peace, only to the necessity of peace—is surely indispensable to the free world.

Ladies and gentlemen, I greet you with great satisfaction and we wait on your deliberations with great hope and confidence.