THE BRETTON WOODS INSTITUTIONS

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I

THE distinctive feature of the United Nations program is the great emphasis on cooperation through specialized international agencies. After the last war, the hope for international cooperation was concentrated in the political sphere and was centered in the League of Nations. Some economic and social problems were dealt with by the League but only in an incidental and largely advisory fashion. The importance of such international cooperation, even on a small scale, is indicated by the universal recognition of the value of the League's limited work in these fields.

This time, the task of international cooperation has been approached with a greater appreciation of the importance of the problems in the non-political sphere. The fullest facilities have been provided by the United Nations for cooperation on economic, social, educational, scientific and cultural problems. Particularly in the field of economics, specialized organizations have been established to carry out a far-reaching program of international cooperation. These organizations—the International Monetary Fund and the International Bank for Reconstruction and Development—have extensive powers and are endowed with large resources to carry out their great responsibilities.

As Under Secretary of State Acheson has so brilliantly argued, these specialized organizations, dealing with important but limited problems, can by their work greatly facilitate the realization of that universal hope—the attainment of peace through the United Nations. There is far too much pessimism about the prospect of achieving security through the United Nations. While the effectiveness of the United Nations cannot be assured by fiat, it can be attained through a steady accretion of understanding and experience in dealing with international problems. By their work in the economic field, the Fund, the Bank, and other specialized organizations can give concrete evidence that international cooperation can be made to work.[1]

It would be foolish to overlook the dualism in the policies of the members of the United Nations on the central problem of security. On the one hand, all countries are committed through the United Nations to the policy of collective security. On the other hand, some countries are seeking security in the traditional way by strengthening their

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1. Acheson, *Random Harvest* (1946) 14 DEP'T OF STATE BULL. 1045.

strategic position relative to that of other countries. As a result of this dualism, there is a conflict of policy, and the national policies of the various countries do not harmonize to yield a United Nations policy. A harmonious policy on security can be based only on general acceptance by all countries of the principle that the security of each depends on the security of all.

This principle, which the United Nations is striving to establish in the field of security, is already generally accepted in the field of economics. It is agreed that national policies must be harmonious and complementary and that the prosperity of each country is dependent on the prosperity of all. No one would contend that prosperity, say, in England would be adversely affected by prosperity in the United States. On the contrary, it is clear that a depression in the United States would undermine prosperity in England and in other countries. In the search for prosperity, it is established that there can be no real conflict between nations. This principle is so firmly recognized that the members of the International Fund and Bank have undertaken far-reaching obligations and committed large sums for the purpose of attaining a functioning world economy.

The Fund and the Bank have a critical role in the new world that the members of the United Nations are beginning to build. Their succesful operation will provide a favorable economic environment for maintaining world peace. No less important, the example of friendly and successful cooperation in the economic sphere will be of enormous help in securing cooperation in the political sphere.

II

The specialized economic agencies of the United Nations are not mere appendages of the central organization. They are the means for dealing with vital international economic problems. They constitute a carefully planned program largely developed by the United States Treasury and brought to fruition in the United Nations Monetary and Financial Conference held at Bretton Woods, New Hampshire, in the summer of 1944.

The economic program of the United Nations is a new and bold venture in international cooperation. Its object is to restore world trade, to free such trade from restrictions and discriminations, and to prevent the formation of conflicting economic blocs. A program of this character, if it is to be effective, cannot be dealt with merely by agreement on abstract principles. In the field of international trade and financial relations, positive action for dealing with continuing problems can be achieved only through institutions with broad authority. The United Nations has provided the means for continuing and effective cooperation through the International Bank, the International Fund, and an international trade organization.

The war has destroyed productive facilities in large areas of the world. It has devastated whole countries in Europe and the Far East. Until the agriculture and industry of these countries are again producing, world trade cannot be restored. The relief needs of these countries are to an extent being met through U.N.R.R.A. Many of them have had help from our Export-Import Bank in meeting urgent reconstruction requirements. But there is a continuing need in many countries for foreign capital for reconstruction and development. If such capital is provided on reasonable terms, it will be of enormous benefit to both borrowing and lending countries. The whole world would feel the effects in increased production and higher standards of living. That is why the members of the United Nations have agreed to facilitate the provision of capital for worthwhile and productive projects, and why they have formed the International Bank to help raise such capital.

World trade cannot be restored and expanded unless the United Nations abandons the restrictive and discriminatory currency practices that became so prevalent in the 1930's. Their very existence is a threat to friendly economic relations. The International Fund, established to deal with this problem of currency warfare, is intended to facilitate the full flow of trade by promoting stable and orderly exchange arrangements. The members of the Fund have undertaken to maintain fair currency standards, under which trade can expand and grow.

These financial measures for international economic cooperation can provide a favorable environment in which the world economy can prosper. They must be supplemented, however, by other measures to reduce barriers to trade. The Bretton Woods conference recognized this and adopted a resolution that the participating governments seek "to reach agreement, as soon as possible, on ways and means whereby they may best: (1) reduce obstacles to international trade and in other ways promote mutually advantageous international commercial relations. . . ." [2]

The United States has been aware of the necessity of dealing with such matters as tariffs and tariff preferences, import quotas, cartels, and state trading. This government has recently published proposals to relax trade barriers of all kinds, to eliminate discrimination and establish an international trade organization that will maintain fair trade practices. The first steps have already been taken to carry out these proposals. The Economic and Social Council of the United Nations has agreed to convene an international conference on trade and employment in the latter part of 1946. The British Commonwealth and eight other important trading nations have accepted the invitation of

2. UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE—FINAL ACT AND RELATED DOCUMENTS, DEP'T OF STATE CONFERENCE SER. 55 (1944) RES. VII, at 24.

the United States to meet in advance of the conference to consider reductions in trade barriers in accordance with the American proposals.

This, in brief, is the United Nations economic program. It is based on the principle that the prosperity of each country depends on the prosperity of all. It recognizes that the responsibility for dealing with these problems cannot rest with any one country. They are international problems, and they can be dealt with only through international cooperation.

III

The establishment of the International Monetary Fund is a great forward step in the development of international responsibility for the maintenance of order and stability in foreign exchange relationships. There have been, in the past, agreements on foreign exchange practices. The Tripartite agreement of 1936, under which the United States, England, and France agreed to consult on any changes in exchange rates, is an example of such an agreement. But hitherto such agreements have been very limited in scope; they have embraced relatively few countries, and they have provided no effective means of attaining their objective. The Fund, in contrast, requires unqualified adherence to specified exchange practices. Its membership includes 39 countries that account for more than 90 per cent of the world's trade. It has resources of about $7,400,000,000. This combination of responsibility and power makes the Fund a tremendous factor in the world economy.

The Articles of Agreement of the International Monetary Fund set up orderly arrangements to promote exchange stability and to eliminate competitive exchange depreciation. The currency of each country will be defined in terms of gold or the United States dollar. The Fund has already requested members to communicate the parity of their currencies, and by the early part of 1947 it will have agreed with members on the official parities of their currencies. Under the Agreement, the Fund is required to reject a proposed parity which overvalues or undervalues the currency of a country. This is intended to prevent the use of the Fund's resources to support an untenable pattern of exchange rates. After the par values have been established, each country is required to keep the exchange rates for its currency within a range of one per cent above and below parity.

If a country should find it necessary to change the parity of its currency, it must first consult with the Fund to determine whether the change is required to correct a fundamental disturbance in its international economic position. As a practical matter, it must be recognized that some of the parities fixed in the distorted post-war period will prove to be unsatisfactory. In such cases, a country may, after consulting the Fund, make changes in its parity up to a total of 10 per cent without securing the concurrence of the Fund. On any further changes in parity, the Fund may refuse authorization. As an enforcement device it is provided that any unauthorized change in parity will make a country ineligible to use the resources of the Fund and that if it persists in its failure to fulfill its obligation, the member is subject to expulsion from both the Fund and the International Bank.[3]

The membership of the Fund will include countries with different types of political and social organization. The Fund can function effectively only if it avoids conflict with members on purely domestic policies which do not concern other countries. For this reason, the Fund Agreement provides that the Fund will not object to a necessary change in parity because it does not approve of the member's domestic social and political policies. The principle stated in this provision is a proper and essential limitation on the powers of the Fund. As an international organization, the Fund must concern itself only with matters that substantially affect the international economic position of other countries. On such matters, the Fund remains free to express its views to members and to utilize its powers and resources to maintain the fair-exchange practices essential to a prosperous world.

The Fund Agreement requires countries to remove restrictions on payments and transfers for current international transactions. This is essential if traders and investors are not to be hampered by the threat of blocked currencies. The Fund Agreement also provides for the progressive removal of discriminatory currency arrangements, multiple currency practices, and other devices destructive of international trade and investment. Such restrictions are now imposed in nearly all countries. With the establishment of the Fund, they will be quickly removed in the countries which have not been devastated by the enemy.

As a practical matter, these restrictions on payments and transfers cannot be removed immediately in the countries whose economies have been seriously disrupted by the war. In the next few years, these countries will experience an acute shortage of goods. Their people will be eager for imports, but their industries will not be producing enough exports to meet their need for foreign exchange. Such countries will have to conserve their reserves for the essentials of reconstruction until their export trade has been restored and they earn enough foreign exchange to permit the free use of their currencies for buying imports.

For this reason, during the transition period of three to five years, member countries may continue their war-time exchange restrictions. The administration of these restrictions will be subject to review by the Fund, and when any restrictions are no longer necessary, the

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3. ARTICLES OF AGREEMENT, INTERNATIONAL MONETARY FUND, Art. IV, §§ 5, 6, *op. cit. supra* note 2, at 31–2; ARTICLES OF AGREEMENT, INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, Art. VI, § 3, *id.* at 85.

member will be required to remove them. It should be noted that these transition arrangements have become much less significant as a result of the Anglo-American Financial Agreement only recently approved by the United States Congress. The United Kingdom government has agreed with the United States to remove, within a year, nearly all of her war-time currency controls. In effect, no restrictions will be placed by the United Kingdom on the transfer of sterling and its convertibility into other currencies in connection with imports and other current transactions. The United Kingdom's action on this front will, in turn, provide more convertible exchange for other countries and should shorten the period during which they will need transition exchange restrictions.

One of the critical problems of the 1930's was the scarcity of dollars, largely the result of capital flight to the United States. If a scarcity of dollars should again develop, the Fund provides a means of dealing with the problem. The Fund will report on the causes of the scarcity and the measures necessary to correct it. The scarcity of a currency could be due to inadequate imports by that country or to excessive imports by other countries, and the appropriate remedies would depend on the facts in the particular case. Then, if its own holdings become inadequate, the Fund could apportion its sales of the scarce currency with due regard to relative need of members and other pertinent considerations. The Fund would, of course, never exhaust its supply of any currency, for it would acquire gold and the scarce currency from its other transactions.

Exchange stability and freedom of exchange transactions are possible only if countries have resources with which to meet an adverse balance of payments. Otherwise, they are compelled to force a prompt adjustment in their accounts through exchange depreciation or exchange control. Either policy might restrict the volume of trade and have a depressing effect on business in all countries. If other adjustments are preferable, a country should have help in avoiding extreme measures whose principal merit is their prompt, though harsh, effect.

To help countries that abide by these fair-currency practices, the Fund has resources of $7,400,000,000 in gold and national currencies, subscribed by the members in accordance with the quotas established at the Bretton Woods Conference. These resources will be used by the Fund to give temporary assistance to countries in stabilizing their currencies. Help of this kind will prevent a serious breakdown in currencies in a period of severe depression. The help from the Fund will give countries time to make adjustments in their balances of payments without resorting to exchange depreciation or restriction of exchange transactions.

The method by which the Fund helps members is to sell them the foreign currencies they need—say, dollars or sterling—for their local currencies. The help from the Fund is limited in amount and can be used only for specified purposes. The resources of the Fund may not be used for reconstruction or relief, or to meet indebtedness arising out of the war, nor may the Fund be used to finance a large or sustained flight of capital. Each member is required to use its own resources along with the help it gets from the Fund, and it must repurchase its currency from the Fund as soon as it is in a position to do so.

The Fund does not deal with the public. It is essentially an association of governments that have agreed to abide by prescribed exchange principles. The resources of the Fund constitute a common reserve which these governments may use to maintain orderly and stable exchange. The test of the Fund's success will be in its ability to avoid the frequent currency crises that characterized the 1930's. For this, the Fund must be bold in meeting any threatening crisis, and the members must help by pursuing domestic policies that will minimize the danger of crises.

IV

No part of the United Nations program is of greater urgency than that which deals with international investment. More than half the people of the earth live in countries that have experienced the devastation of modern war. It is futile to think of a stable world economy without the participation of these countries. They must be given the opportunity to restore their production and to resume trade.

There is no reason why sound international investment cannot be put on a business basis. The losses from international investment in the 1920's have been exaggerated in the public mind. They certainly did not exceed the losses from domestic investment in the same period. The extraordinary record of fruitful international investment for more than a century preceding the first world war is evidence that international investment can be an important factor in developing the world economy and that it can be conducted on a business basis.

The Bretton Woods Conference recognized the need for cooperation in encouraging productive international investment in the post-war period. It proposed the establishment of the International Bank with an authorized capital of $10,000,000,000 to facilitate the provision of foreign capital for reconstruction and development. It is not intended, however, that the Bank will handle all foreign investments or even a major portion of them. Its role will be to stimulate private investment through established channels and to facilitate additional investment by making or guaranteeing loans that meet specified requirements.

The principal business of the Bank will be to make or guarantee loans to foreign governments and corporations if the loans cannot be secured on reasonable terms without the Bank's aid. In carrying out this purpose, the Bank will apply the same general tests as a private investor. It will determine the soundness of a project for which a loan is sought and its capacity to raise a country's production and to improve its foreign exchange position. The Bank will not make or guarantee a loan unless it secures, in turn, the guaranty of the government or the central bank of the country in which the project is to be located. The risks associated with investments sponsored by the Bank, therefore, will not fall primarily on the investors. It will be underwritten by all countries that subscribe to the capital of the Bank, and all countries will derive benefits from the expansion of international investment.

One method the Bank may use for facilitating foreign loans is to guarantee the bonds of a borrower. Where the borrowing country has a good reputation, the issue of its own securities with the Bank's guaranty should find a ready market. For example, bonds of the Netherlands government, guaranteed by the Bank, would undoubtedly be regarded by investors as a high grade security. The Netherlands government, as a borrower, adds to the quality of the security.

But the Bank and the investors may prefer the direct obligation of the Bank over guarantees. The Bank is empowered to sell its own securities and lend the proceeds directly to the borrower. This permits the Bank to issue a more or less standard security for purchase by the market regardless of the particular borrowers involved. It also means the Bank's securities may have a more stable and uniform value, since it tends to discount the psychological effects of a particular default even where the Bank is ready to cover 100% of the default. Under any circumstances, the Bank and the public will prefer to consolidate many small loans into a single large issue of the Bank's own securities. This will offer investors the advantages of a broader market.

The Bank may also make direct loans out of its own capital. Under its Charter, however, such loans cannot exceed 20% of the Bank's subscribed capital and it may be doubtful if such loans ever will amount to as much as a billion dollars. This is due primarily to the fact that while the Bank may call up 20% of its capital ($1,534,000,000) for the purpose of making direct loans, only about one-half of this amount ($725,000,000) would be available in gold or United States dollars, the balance being in the form of other currencies. Since in the early years members will need U. S. dollars primarily to finance their capital reconstruction and development, it is safe to assume that there will be no great demand during the period for loans in other currencies. Accordingly, it may be concluded that apart from the payments of U. S. dollars and gold (and probably Canadian dollars) made to the Bank, there will be few direct loans out of paid-in capital. Instead, the Bank will use the balance of its capital as a huge reserve to cover any possible defaults. This is all the more true since each member is obligated to meet its share on any default in the currency in which the loan was expressed (*i.e.*, U. S. dollars in most cases), and hence the Bank's local currency reserves are in fact dollar or gold reserves when used to meet defaults. It is obvious that reserves in this latter form are most attractive both to the Bank and the investing public.

The loans made or guaranteed by the Bank will in general be for specific projects, but under special circumstances the Bank may make long-term loans for general purposes. The United States Government has requested the Bank to interpret the Articles of Agreement with respect to the Bank's authority to make long-term stabilization loans, and there is little doubt that the Bank will affirm its power to make such loans.

All loans and guaranties of the Bank must have the consent of the country whose currency is involved. The purpose of such consent is to prevent a drain on the reserves of a country with inadequate exchange resources and to prevent loans that might disturb the money market of the lending country. Under this provision, both direct dollar loans made by the Bank out of its capital and guaranteed loans or debentures of the Bank floated in this country must have the approval of the United States government. Our legislation provides that such consent will be given or withheld by the National Advisory Council on International Monetary and Financial Problems, of which the Secretary of the Treasury is Chairman.

The Bank will receive a commission of 1 to 1½ per cent annually of the unpaid principal for the risk which it takes in guaranteeing or making a loan. These commissions are to be held in liquid form, such as United States Treasury bills or notes, as a special reserve to meet the Bank's obligations arising out of losses or defaults. This special reserve should be sufficient to meet the obligations of the Bank without impairing its capital, even if one issue out of four were to go into default. With reasonably careful lending and fair business conditions, the Bank should be able to pay its own way.

If the Bank's special reserve should prove inadequate to meet all defaults, it will be necessary to draw on the Bank's capital. Eighty per cent of the capital will be retained as a surety fund to be called only to meet losses. As previously indicated, calls on capital for this purpose will be payable in gold, dollars, or the currency needed to meet the obligations of the Bank. A call to meet an obligation to American holders of securities issued or guaranteed by the Bank would be met, therefore, by a payment in gold or dollars. As a further protection to investors, the total amount outstanding at any time of guaranties, participations in loans, and direct loans made by the Bank may not exceed 100 per cent of its unimpaired capital, reserves, and surplus.

The Bank in its role as a lending institution is empowered to deal only through the fiscal agencies of governments. Since the Bank will raise the bulk of its funds from private sources, its relationship with the public will necessarily be much closer than in the case of the Fund. The Bank must depend upon the public for the purchase of its own debentures and the securities of foreign governments and enterprises which it has guaranteed. It is expected that the bonds issued or guaranteed by the Bank will be purchased by insurance companies, commercial and savings banks, trust funds, institutions, business corporations, investment companies, and individual investors.

There are, however, at the present time certain legal barriers to the sale of the Bank's securities to insurance companies and savings banks which must be removed before they can be purchased by these institutions in most states. State laws frequently limit the purchase of securities by savings banks and insurance companies to a list of specified securities eligible for investment. It is expected that these laws will be amended in the near future. For example, the New York State Legislature has recently adopted an amendment to its banking laws to permit savings banks to invest in the direct and guaranteed obligations of the International Bank,[4] and the Secretary of the Treasury, as chairman of the National Advisory Council, has recommended to the Congress legislation which would permit insurance companies organized within the District of Columbia to invest in such obligations.[5]

In dealing with the investing public, the Bank will presumably use the services of bankers, brokers, and dealers for the distribution of its securities. It may very well decide to initiate an educational program directed toward each class of buyer of its securities in order to achieve maximum success in its financing operations. This will be especially important in the first few years before the Bank's securities become well known and have been "seasoned" in the market.

The Bank will be an important factor in the American bond market. Next to the United States Government it will be, directly or indirectly, the largest single borrower. Its securities will offer investors a new outlet for long period loans at somewhat higher interest rates than can be secured on government and municipal bonds. The securities issued or guaranteed by the Bank are of a novel character. While primarily the obligation of the borrower, they ultimately depend on the subscription of all members. To the extent of at least 41 per cent of any loan, they are equivalent to a United States Government Bond. This is the present share of the American subscription in the subscribed capital of the Bank.

The Bank can be an important factor in placing international investment on a constructive basis. With full knowledge of the international economic position of a borrowing country, the Bank could use its in-

4. N. Y. Laws 1946, c. 507.
5. 92 Cong. Rec., Aug. 1, 1946, at 10810.

fluence to prevent the undertaking of excessive obligations to service loans. Furthermore, by maintaining reasonable interest rates, the Bank places the greatest possible moral obligaton on borrowers. In periods of exchange crisis, the Bank could also utilize its resources to permit for a time the servicing of international investment in local currency under a guarantee of repurchase, thus avoiding defaults because of temporary conditions.

V

The Article of Agreement of the Fund and the Bank came into effect on December 27, 1945. The Inaugural Meeting of the Boards of Governors of the two institutions was called by the United States to convene in Savannah on March 8, 1946, to deal with questions of organization.[6]

The first action of the Governors was to keep membership in the Fund and Bank open until December 31, 1946, for all countries that participated in the Bretton Woods Conference. It is expected that Australia and New Zealand will soon take advantage of this resolution to become members of the Fund. At the request of the Governments of Lebanon, Italy, Syria and Turkey, our Government placed their applications for membership before the Governors of the Fund and Bank. The applications were referred to the Executive Directors for consideration and recommendation, and final action will probably be taken by the Governors at the annual meeting in September.

At Bretton Woods it was agreed that the principal offices of the Fund and Bank should be in the United States. At Savannah the Governors had to select the city in which the two institutions would be located. The United States urged that the Fund and Bank be located in Washington. The United Kingdom and a number of other countries urged that the two institutions be located in New York. With some reluctance the Governors selected Washington as the site. However, it may well be argued that the best course would have been to locate the Fund and the Bank not at the capital city of one of its members but with the United Nations organization at whatever location is decided upon for its permanent site. This would have immeasurably strengthened the United Nations organization by associating more closely with it two important and presently functioning institutions, each of which has substantial resources.

An important question decided at Savannah was whether the Executive Directors would be required to devote all of their time to the business of the Fund. This is closely related to the question of whether final authority is vested in the administrative officials of the Fund and Bank with the Executive Directors merely as an advisory body. The

6. Vinson, *After the Savannah Conference* (1946) 24 For. Affairs 622.

United States felt it necessary and prudent to require the policies of the administrative officials to be made under the supervision of the Executive Directors. Our Government urged that the Executive Directors be requested to devote all of their time to the business of the Fund and Bank. The United Kingdom Government felt that the Executive Directors might be officials of the Treasury or Central Bank of a member. They would be available to come to the head office of the Fund and Bank for a meeting when required, but they should not be expected to devote all of their time to the Fund and the Bank. The Governors agreed to a practical solution to this question. An Executive Director or his alternate will devote all of the time to the Fund or Bank that its interests require, and one of them will be continuously available at the principal office to deal with business of the Fund or Bank.

As a matter of fact, there will be plenty of work to occupy the Executive Directors during the first two years. The Fund must agree with members on initial exchange rates, and it must provide for the elimination of multiple exchange rates, exchange controls, and exchange restrictions. The Bank already has some loan applications. It must consider the types of security to be issued, the terms of loans, and similar problems. In the next two critical years it is desirable that the Executive Directors should give their time in full to the problems of the Fund and Bank.

At the Inaugural Meeting at Savannah, the Governors elected the first Executive Directors of the Fund and Bank. There was almost complete unanimity in the selection of Directors. Precisely seven candidates were nominated for the seven places as Directors of the Fund, and only eight candidates were nominated for the seven places as Directors of the Bank. The men elected as Executive Directors have had long experience in international finance and are well qualified to deal with post-war financial problems. Wide geographic distribution assures ample representation to every important economic area of the world.

The Executive Directors of the Fund and Bank held their first meeting on May 6 and 7, 1946, respectively. Soon thereafter Mr. Camille Gutt of Belgium was elected Managing Director of the Fund and Mr. Eugene Meyer of the United States was elected President of the Bank. The higher officials of the two institutions have nearly all been appointed. The Fund and the Bank are well along toward beginning actual business operations. Probably soon after the beginning of 1947, the Fund will start exchange operations, and the Bank will start making loans.

VI

The Fund and the Bank represent a significant innovation in the field of international economics. For the first time, governments have undertaken to commit themselves to policies in the field of international finance which have long been regarded as the preserve of national economic sovereignty. They have entrusted to these organizations resources now totalling $15,000,000,000 and which may be increased, as new countries join the Fund and the Bank, to an aggregate of $20,000,000,000.

It is of the utmost importance that these institutions should succeed in the great task they have undertaken. How far they are successful will determine the measure of economic recovery in large segments of the world. Their success will make it possible for countries to proceed with some degree of assurance with their own domestic policies for maintaining high standards of living and securing economic progress. Beyond that, the success of the Fund and the Bank will be a mighty force in facilitating the far more difficult task of securing complete and wholehearted cooperation for the maintenance of peace through the United Nations.

The Fund and the Bank have begun to work. Of necessity, they must proceed slowly. They are now gathering their staffs from all of the United Nations. This staff is not only international in character, but it is international in spirit. The men and women working with the Fund and Bank are conscious of the tremendous importance of these two institutions in the evolution of a broader concept of world responsibility.

It is important that governments, too, recognize that the Fund and Bank are international institutions. No country, however great or strong, however dominant its economic position in the world, can take the attitude that these institutions are its own creatures. Nothing could destroy the usefulness of the Fund and the Bank more surely than a feeling in other countries that they are subservient to the United States Government.

And nothing would more enhance the world prestige and influence of the United States Government than a demonstration of its appreciation of the basic international character of international institutions.