

I have, I am afraid, a long assignment. I have done my best to work out some comments following the short outline in your book. But of course it is by the nature of the subject a tremendous one, and I won't be able to do very much but skate over the surface. I told General Stoughton in the original correspondence that I was not prepared, as now an international civil servant, to come before you and spend the whole time talking about the balance of payments problem of the United States or anything similar, but that I would be prepared to talk about current problems in international finance. I will possibly get on to the edge of the U. S. balance of payments problem and the position of the dollar as a reserve currency.

I would start with a few words about the nature and function of the International Monetary System, because, what the Fund deals with and indeed the subject with which most people in my field are preoccupied nowadays is the functioning of the International Monetary System and the question of whether that system is adequate to meet the strains that it is carrying, or even if it is adequate now, whether in looking down the road we can imagine that it needs to have some strengthening.

This system, which is the international counterpart of the domestic monetary system, consists of three main elements: The foreign exchange mechanism that enables countries, each of them having its own currency, yet to deal with each other and to smoothly convert transactions in one currency into the other currency.

Secondly, credit facilities, especially short-term credit facilities,