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Senate

The Senate met at 12 o'clock noon, and was called to order by the President pro tempore.

The Chaplain, Rev. Frederick Brown Harris, D.D., offered the following prayer:

O Thou God of life and light, whose love is unfailing and in whose mercy there is a wideness like the wideness of the sea.

At this wayside shrine of prayer, set up so long ago by those who launched our ship of state, we lift up our souls unto Thee.

In this forum of deliberation and debate, amid the din and clash of differing opinions, may we here unite in keeping always a constant sense of the eternal.

We pray for the children of this stricken generation, that they and their children may see peace on the earth—peace with honor and human dignity, and social justice.

Empower those who here act for the Nation, to do the best and to speak the best that in Thy name they may here strike their blow for the truth of God and the freedom of man.

In the Redeemer's name. Amen.

THE JOURNAL

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the reading of the Journal of the proceedings of Monday, April 29, 1968, be dispensed with.

The PRESIDENT pro tempore. Without objection, it is so ordered.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILL

Messages in writing from the President of the United States were communicated to the Senate by Mr. Geisler, one of his secretaries, and he announced that on April 26, 1968, the President had approved and signed the act (S. 3135) to amend the Communications Act of 1934 by extending the authorization of appropriations for the Corporation for Public Broadcasting.

EXECUTIVE MESSAGES REFERRED

As in executive session,

The PRESIDENT pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Hackney, one of its reading clerks, announced that the House had passed a bill (H.R. 15688) to extend the executive reorganization provisions of title 5, United States Code, for an additional 2 years, and for other purposes, in which it requested the concurrence of the Senate.

The message also announced that the House had agreed to the concurrent resolution (H. Con. Res. 770) to authorize printing of updated pocket-size U.S. Constitution for congressional distribution, in which it requested the concurrence of the Senate.

HOUSE BILL REFERRED

The bill (H.R. 15688) to extend the executive reorganization provisions of title 5, United States Code, for an additional 2 years, and for other purposes, was read twice by its title and referred to the Committee on Government Operations.

HOUSE CONCURRENT RESOLUTION REFERRED

The concurrent resolution (H. Con. Res. 770) to authorize printing of updated pocket-size U.S. Constitution for congressional distribution was referred to the Committee on Rules and Administration.

LIMITATION ON STATEMENTS DURING TRANSACTION OF ROUTINE MORNING BUSINESS

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that statements in relation to the transaction of routine morning business be limited to 3 minutes.

The PRESIDENT pro tempore. Without objection, it is so ordered.

ORDER OF BUSINESS

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. BARTLETT in the chair). The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT OF INTERNATIONAL MONETARY FUND AGREEMENT—MESSAGE FROM THE PRESIDENT (H. DOC. NO. 300)

The PRESIDING OFFICER. The Chair lays before the Senate a message from the President of the United States on changes in the International Monetary Fund agreement to create a new form of international reserve.

Without objection, the message will be printed in the RECORD without being read, and will be appropriately referred.

The message from the President was referred to the Committee on Foreign Relations, as follows:

To the Congress of the United States:

Twenty-four years ago, President Franklin D. Roosevelt asked the 78th Congress to approve a monetary plan which he called the "cornerstone for international economic cooperation."

The Bretton Woods Agreement—and the International Monetary Fund which it created—helped map the recovery of a war-ravaged world.

Today I ask the Congress to take another historic step. I seek approval of an amendment to the International Monetary Fund agreement, to adapt it to changing world conditions. This change—the first since the agreement was ratified in 1945—is both timely and necessary. It will prepare us for the era of expanding world trade and economic opportunity that unfolds before us.

RECOVERY AND EXPANSION

The financial statesmen who shaped the Bretton Woods Agreement in 1944 looked beyond the holocaust of war to a time of peace. They remembered the harsh lessons of a depression which had led the world into war.

They knew what had to be avoided—restrictive monetary policies that strangled progress, competitive depreciation of currencies that led to instability, and the breakdown of international cooperation that impeded trade.

They knew what had to be built—a cooperative monetary system to foster world economic expansion in a climate of mutual trust and assistance.

The machinery established at Bretton Woods—through the International Monetary Fund—brought stability to the exchange rates among the currencies of different nations. It brought order to international financial markets and transactions. It created a carefully designed system of cooperation in dealing with international financial problems.

The machinery as it operated in the quarter-century since World War II produced a record of unparalleled economic progress. The economies of war-ruined nations were rebuilt and have grown on an unprecedented scale. World imports surged from $59 billion in 1948 to $202 billion in 1967.

But when Franklin Roosevelt urged approval of the Bretton Woods Agreements, he foresaw that "the experience of future years will show us how they can be improved."

That experience is now part of our history.

The very success of the system in stimulating trade has put new pressures on the Bretton Woods machinery and shows us how that machinery must now be changed.

The rapid growth in world trade and in the flow of capital is outpacing the growth in monetary reserves. The world must take action to provide sufficient reserves for this growth. If it does not, strains and uncertainties in the international monetary system—and the limitations they create—could turn the clock backward to the dark days of restrictive economic policies, narrow interests, empty ports and idle men.

Today I propose that the United States lead the way in the action that is needed.

I recommend that the Congress approve changes in the International Monetary Fund Agreement to create a new form of international reserve—the Special Drawing Right.

BACKGROUND TO ACCEPTANCE

The request I make today is not a hasty solution to a newly-discovered problem. It represents the careful work of five years.

The first part of that period was devoted to intensive study by the outstanding economists and financial specialists of many nations.

This laid the base for action. In July 1965—with bi-partisan support and suggestions from the Congress—I directed the Secretary of the Treasury to initiate negotiations. The past three years have been marked by steady progress through patient negotiations—in The Hague, in London, in Rio and in Stockholm.

From the studies and the negotiations has emerged the concept of Special Drawing Rights as a new system for the deliberate and orderly addition to international reserves. They are the refined product of thoughtful and considered agreement among leading experts from the treasuries and central banks of the Free World and the International Monetary Fund.

Throughout the negotiations leading to the development of the Special Drawing Rights plan, the Secretary of the Treasury had the benefit of advice from the Advisory Committee on International Monetary Arrangements. This panel, chaired by former Secretary of the Treasury Douglas Dillon, consisted of some of the nation's leading bankers, economists and businessmen with outstanding experience in the field of international finance.

THE NEED FOR INTERNATIONAL RESERVES

International reserves are to world trade what working capital is to a growing business. As trade expands—just as when business grows—more reserves are needed.

Nations use international reserves to settle their accounts with each other. And these reserves are an important factor in maintaining stable exchange rates among currencies. They are essential to provide time for countries to restore equilibrium in their balance of payments through an orderly process of adjustment.

Reserves must be unimpeachable in quality. They must be acceptable to other nations, as well as to the Nation that holds them. Traditionally, international reserves have consisted mainly of gold, dollars and sterling.

But today the world's supply of international reserves cannot meet the requirements posed by growing world trade and capital flows.

In 1948, total world reserves were $48 billion. Of this, gold accounted for $33 billion, or almost 70 percent. The remaining 30 percent was divided among dollars—6 percent—and other foreign exchange plus reserve claims on the International Monetary Fund.

Today, reflecting the vast increase in world trade, total reserves have grown to $73 billion. Of this, gold accounts for $39 billion, a decrease to 54 percent of the total. Dollars, on the other hand, have risen to 25 percent—or $18 billion. The remainder is divided between other foreign exchange and reserve claims on the International Monetary Fund.

Gold became less and less dependable as the source of regular addition to world monetary reserves. Because the U.S. was running a balance-of-payments deficit, the dollar took up the slack left by gold and provided the largest share of the new reserve growth over the past two decades. Thus, the growth of world reserves has been linked mainly to deficits in America's balance of payments.

With gold unable to meet reserve needs, and with the prospect of reduced dollar supplies for international reserves as the U.S. moves toward balance of payments equilibrium, one fact clearly emerges: the world needs some new form of acceptable international reserve to supplement existing reserves.

It is the purpose of Special Drawing Rights to fill that need.

THE SIGNIFICANCE OF SPECIAL DRAWING RIGHTS

International agreement on the Special Drawing Rights proposal comes at a time when the world monetary system has been subjected to uncertainty and speculation following the devaluation of the pound sterling last November.

To all nations of the free world, this agreement will bring new strength.

To the United States, it can provide an opportunity to rebuild gradually the reserves which we have lost over the past years. But in a broader sense, the Special Drawing Rights are of value to the United States because of the strength they will bring to the world monetary system.

As the world's largest trading and investing nation, we prosper where other nations have adequate reserves to assure their expansion of production, employment and trade.

These Special Drawing Rights are a landmark in the long evolution of international monetary affairs. For the first time a reserve asset will be deliberately created by the joint decision of many nations. These nations will back that asset with their faith and resources—the strongest support that any asset has ever had. Special Drawing Rights will assure the world economy of an adequate and orderly growth of international reserves, regardless of unpredictable fluctuations in the production of gold or in its private use.

HOW THE SPECIAL DRAWING RIGHTS WILL WORK

Special Drawing Rights—to be issued only to governments, and exchanged only among governments—will be a special kind of international legal tender. They will perform the same basic function in the international monetary system as gold, dollars, or other reserve currencies. They will carry a gold value guarantee and will bear a moderate rate of interest.

Special Drawing Rights will be created after careful consultation and broad agreement. Participating countries with 85 percent of the weighted votes must decide that a need for additional reserves exist.

This process will assure wide participation in the use of the new asset and confidence in its acceptability.

These new reserve assets will be distributed in accordance with each member's quota in the International Monetary Fund. Under this arrangement, for example, the United States—whose quota is about 25 percent of the International Monetary Fund's resources—would receive about $250 million out of each $1 billion of Special Drawing Rights issued. The share of the Common Market countries as a group would be about $180 million; the United Kingdom, $115 million; Canada and Japan, about $35 million each; other developed countries, $105 million; and the developing countries as a group, $280 million.

A participating country will benefit from the program, but it will have responsibilities as well. It is committed to accept Special Drawing Rights from other countries when it is in a strong balance of payments and reserve posi-