

SEPARATE VIEWS OF SENATOR JAVITS

I concur with the long-range goals and the fundamental objectives sought in the subcommittee report and I shall cooperate to help to attain them. As the report's recommendations are far reaching and require careful evaluation before the governments can be expected to take action on them all, I feel that the pacing and method of making the changes raise questions which necessitate these separate views.

The proposals are highly significant because they focus public attention on the goals that must be sought in the years ahead.

It has been made evident by recent events that all is not well with the international monetary system and that the world economy can no longer afford the luxury that each international monetary crisis be dealt with by ad hoc arrangements devised under the pressure of remorseless events. This is evidenced by the agreement on SDR's reached last year in Rio de Janeiro. There, the major trading nations agreed that they would take at least the first step toward a rational, consciously managed, world monetary system. It is regrettable that even this halting step has been ratified so far only by 39 percent of the 80 percent of the votes in the IMF required to implement the agreement.

As I interpret the report, it correctly emphasizes that the ultimate goal for improvement in the system should be the eventual transformation of the IMF into a central reserve bank, designed to serve the interests of the world trading community, with power—subject to the concurrence of the International Monetary Fund Board and the Managing Director—to increase or decrease reserves to meet the needs of that community rationally, rather than by the deficits in the international accounts of one or two important countries.

The burden on the dollar and the pound sterling, the principal reserve currencies at the present time, is much too heavy. Yet, no matter how much of the reserve function of the dollar is assumed by the IMF, the dollar for a long time to come will be a major currency for facilitating international trade and investment. This function is beneficial to our economy—we must not overlook that fact and therefore should not lay aside hastily this position.

The feasibility of attaining the objectives of the Report would be diminished if a specific deadline were to be set. I am pleased therefore that the Report is flexible in this respect. In view of the great difficulties involved in obtaining agreement of the principal industrialized nations even to the special drawing rights provision—a relatively minor proposal in comparison to the proposals contained in this Report—a fixed deadline, especially one set in terms of months, or even a year or two, would have opened up these proposals to superficial criticism. The proposals are far reaching and their acceptance at high official levels in the United States, as well as in Europe, will require time. Thought as to timing as well as substance needs to be given to the political, as well as to the economic consequences that flow from them.