liberal trade policies, and in this way, make it possible for the deficit countries to expand exports, achieve external equilibrium, and rebuild their monetary reserves. This is a subject which received considerable attention at this session of the Council when we were dealing with the world economic situation. Nevertheless, we feel that it is of sufficient importance to emphasize once again in this context. Unless the large industrial countries, including the United States, are prepared to accept imports in payment for their exports, it is difficult to see how international stability can be re-established even in good times, let alone maintained in periods of adversity. Countries that require foreign capital to facilitate their economic development and help them withstand the impact of fluctuations should create a domestic environment which will encourage the inflow of capital. It is not less important that countries which have capital available for export should adopt policies which ensure a steady and reliable flow of capital.

We would like to deal now with the specific recommendations of the Experts in the three related fields of international monetary reserves, international flow of investment capital and commodity policy. In essence, the proposals of the Experts involve the extension to the international sphere of policies now considered appropriate for dealing with internal economic difficulties. In the domestic field it is now generally recognized that counter-cyclical, fiscal and monetary measures are an important device for maintaining economic stability - that is, budget surpluses, postponement of public investment and restrictive monetary policies during periods of boom, and budgetary deficits, expanded public investment and easy money policies in times of recession. These ideas are theoretically attractive, and we believe that the Experts should be commended on their imaginative approach. It is perhaps regrettable that in present circumstances the practical application of these ideas raises a number of difficulties. Indeed the Experts themselves are aware of these problems.

We would like to turn now to the recommendations of the Experts with respect to the International Bank. They propose that the Bank should be prepared to step up its rate of lending in time of recession. To this end, they suggest that the Bank should establish a shelf of development projects well in advance so that the Bank would be in a position to swing into action on the first signs of a recession. In the Experts' view this would require a substantial expansion of the Bank's resources to meet the additional demands which would then be made upon them. It is important to recognize that this recommendation represents a fundamental change in the purposes for which the International Bank was created. As we understand it, the primary function of the Bank is to provide long-term capital for worthwhile development projects. This new concept of anti-cyclical action by the Bank would seem to require the Bank to hold off certain worthwhile projects in good times, and to expand its lending operations in bad times. I am afraid that such a policy would not be fully consistent with the purposes for which the Bank was created. The rate of development in the under-developed countries should be geared to their basic needs and capabilities rather than to the phase of the economic cycle.

The notion of building up a shelf of worthwhile projects for implementation in a recession presupposes that, at present, there are more projects which would qualify for Bank financing than are in fact being financed. This is far from being the case. At the present time, there is no shortage of