

Statement of Judge Fred M. Vinson  
Before the House Committee on Banking and Currency  
on the Bretton Woods Agreements

The 44 United Nations that met at Bretton Woods were interested in establishing the means for cooperation in dealing with international economic problems because they believed that the solution of these problems was vital to their own well-being. Every country at the Bretton Woods Conference realized that the effectiveness of its policies to employ its own people depended, to a considerable extent, upon removing the monetary disorders and obstructions that stifled world trade in the 1930's.

No nation can live in economic isolation. The United States, for example, which is probably as self-sufficient as any country, consumes at home only a part of such basic crops as tobacco and cotton. More than 50 percent of our cotton and 30 percent of our tobacco crops must be exported. A considerable part of the output of our important industries is sold abroad. Twenty-two percent of our office machinery, 17 percent of our agriculture machinery, 14 percent of our industrial machinery and automobile production must be exported. If our foreign markets are cut off or reduced, we suffer from unemployment in our industries and a serious reduction in the income of our farmers. And it is no less true that we must buy abroad to secure important raw materials for our industries and goods for our consumers.

Economically nations live in one world. If this country reduces its purchases abroad, unemployment occurs in other countries; and they in turn buy less from us. And if all countries use restrictive and discriminatory devices to limit international trade, as they did in the 1930's, the whole world feels the effect in diminished employment and lowered standards of living.

The Bretton Woods Conference was concerned with the elimination of the unfair monetary practices that were used by some countries in the 1930's. The Conference prepared a proposal for means for international cooperation through an International Monetary Fund. The Fund would set fair standards by providing for stable and orderly exchange arrangements and by requiring countries to allow payment for exports and for other current international transactions. Countries that carry out the purposes of the Fund would secure help from the Fund in maintaining these standards.

No one contends that the Fund alone can restore world trade. Other things must be done. It is important to re-establish the producing power and the consuming power of countries that have been devastated by war. Nearly one-half of the world's trade was formerly done with countries that have suffered from enemy action. A prosperous world economy requires the reconstruction of Europe and the Far East. It requires the development of countries that lack the modern means of production. Our trade has always been largest with countries with high levels of production and consumption, countries like Canada and England. Our trade will benefit from the reconstruction and development of other countries.

The International Bank would help countries to secure the foreign capital they need for productive purposes. The Bank would be concerned to see that loans it guarantees or makes are fair to the lenders and the borrower. Because all countries will benefit from the expansion of world trade resulting from reconstruction and development, all countries share in the risks of the Bank.

The Bretton Woods program is a common-sense way of dealing with two important post-war economic problems. These are urgent problems that cannot be neglected without risking serious international economic disturbances. The Bretton Woods program recognizes them as international problems and it provides for cooperation in securing orderly exchanges and productive international investment.

There are people who say that we ought not do anything about stabilizing exchange rates through international cooperation at this time. They say we ought to wait because we don't know what social, economic and political conditions will be like in the next five years. I think that we cannot afford to wait, that if we do nothing we shall have political instability, social unrest and economic depression. Our task is to take the steps now through international economic cooperation to make possible reconstruction and the expansion of world trade.

Of course, the Bretton Woods program will help other countries. But international economic cooperation is much more than a matter of helping other countries. It is just as vital to our own economic well-being. All the countries at the Bretton Woods Conference were concerned with protecting their interests. The American delegation was no less concerned with protecting our interests. But this did not prevent them from working together for international cooperation. And that is the real secret of the achievement at Bretton Woods -- 44 countries worked together for the common good without in any way neglecting their national interests.

I think this committee will understand the work of the Bretton Woods Conference more fully if it knows what was done before the Conference and what was done at the Conference. I believe that the work of the Conference was a model of democratic action, an inspiration to free people in all countries who believe that international problems can be solved by the method of discussion and agreement.

During the 1930's this Government was concerned with the growing disorder in international economic relations. Through our reciprocal trade and exchange stabilization agreements determined efforts were made to secure on a bilateral basis a reduction of trade discriminations and the greater stabilization of currencies. Much that was useful was done in this way by Secretary Hull and by Secretary Morgenthau. The forces that were at work in the world to intensify disorder made it impossible to do more than to limit the evils that were growing up about us. It became clear that bilateral agreements were not adequate because they were too limited in scope. What was needed was an extension and broadening of the sphere of international cooperation.

In the fall of 1941, Secretary Morgenthau asked the Treasury staff to study the international monetary and investment problems that would be faced after the war and to suggest a practical means of dealing with these problems. As a result of this study, a memorandum was prepared recommending the establishment of an International Fund and an International Bank. In the spring of 1942, this memorandum was presented to the President who requested the Treasury to continue study of the problems in consultation with the Department of State, the Board of Governors of the Federal Reserve System, and other interested Government departments.

A technical committee representing 8 or 10 agencies was formed to work on these proposals. The membership of the technical committee was not confined exclusively to technical advisers. An Assistant Secretary of State, an Assistant Secretary of Commerce, at that time Mr. Clayton, a member of the Federal Reserve Board, and other policy making officials met directly with the technical committee.

At a higher level, a committee of Cabinet officers met from time to time with Secretary Morgenthau to review the work of the technicians and to give them further instructions in matters of policy.

In the spring of 1943 the work of the technical committee had progressed so far that a tentative proposal for an International Fund was submitted to the Cabinet committee. With the approval of the President and Secretary Hull, Mr. Morgenthau sent the tentative proposal to the finance ministers of the United Nations for study by their technical advisers. The tentative proposal was also published in the press.

There followed a period of extended bilateral discussions which lasted from June 1943 until April 1944. Some 30 countries sent their technical representatives to these discussions. On occasion, representatives of 3 or 4 countries met together, and once representatives of about 8 countries met to exchange views on the proposed International Fund.

Simultaneously, a tentative proposal for an International Bank was prepared by the technicians and in November 1943 submitted to the Cabinet committee. Again with the approval of the President and Secretary Hull, the tentative proposal was sent to the finance ministers of the United Nations and published in the press.

In the meantime, extended discussions were going on with interested groups in this country -- with representatives of banking, business, agriculture and labor, and with organizations interested in international problems. As a result of these public discussions, revisions of the tentative proposals were made from time to time embodying suggestions made at these meetings.

In the spring of 1944, the technicians of various countries approved the publication of a Joint Statement of principles recommending the establishment of an International Monetary Fund. Considerable progress had also been made in the discussions on the International Bank although no joint statement was issued. Because there was sufficient agreement on principles to warrant a formal conference, President Roosevelt invited the 43 United Nations to an International Monetary and Financial Conference to consider the establishment of an International Monetary Fund and if possible an International Bank.

In preparation for the formal conference in July 1944, a preliminary meeting was held in Atlantic City of representatives of about 15 countries. The principles were expanded and alternative provisions submitted by many countries were discussed informally. It was agreed to present all alternative proposals on the Fund and the Bank to the Conference for its decision. An agenda for the work of the Bretton Woods Conference was also prepared.

I have said before that the work of the Conference was a model of democratic action. Let me illustrate. In the American delegation, the President included 4 congressional delegates -- the chairmen and the ranking minority members of the House and Senate Committees on Banking and Currency. In addition, the chairman and the ranking minority member of the House Committee on Coinage, Weights and Measures were included as advisers to the American delegation. It is worth noting that this was the first of the United Nations Conferences in which congressional members were included in the American delegation.

All the work of the Conference was made available to the representatives of the press so that they and the public could be fully informed on what was done at Bretton Woods. I know of no proposal considered by the Conference that was kept from the press. Every alternative provision was available to the press in the same form in which it was submitted to the Conference. Members of the United States delegation saw the press daily as spokesmen for the Conference to discuss what the Conference had done.

The press had complete access to every member of the United States delegation and of every foreign delegation. The newspaper men who were present at the Conference, many of whom are now reporting the hearings of this committee, will testify to the thoroughness with which the Conference adhered to the policy of giving the press all the news.

The agenda committee had recommended that the Conference be organized with two commissions, one on the Fund and one on the Bank. Each commission had 4 committees -- on purposes and policies, on operations, on organization and management, and on legal status. The Conference approved this form of organization. Secretary Morgenthau was elected President of the Conference, Mr. White chairman of the Commission on the Fund, and Lord Keynes chairman of the Commission on the Bank.

The Conference in its plenary sessions was largely concerned with passing upon the articles of agreement for the Fund and the Bank which were submitted by the commissions. There were opportunities for further discussion of important matters which required the formal action of the Conference.

The detailed work of the Conference was done in the commissions and in the committees. The American delegates all served on the commissions and the committees. I had the honor of leading the American delegation of Commission I. Secretary Acheson led the American delegation on Commission II. The rest of the delegation including Congressman Spence and Congressman Wolcott worked with the American delegation on these two commissions.

As you gentlemen know, a Conference of 44 countries with some 300 delegates must do its work in committees. The Commissions and the Conference can only pass upon the more important differences of opinion, the greater issues of policies which they must decide. The work of the committees was carefully done. The eight formal committees of the two commissions each had two or three members of the American delegation.

For example, Committee II of the Fund -- the Committee on operations of the Fund -- had as the American delegates Mr. E. E. Brown, Chairman of the First National Bank of Chicago, Governor Eccles of the Federal Reserve Board, and Congressman Wolcott. They had attached to them four technicians from the Treasury, the State Department, the Federal Reserve Board, and the Department of Commerce. The American members of the Committee met every day with their technical advisers to go over the problems that were on the agenda of the committee.

I think Congressman Wolcott can tell you how thoroughly the job was done. Every aspect of every problem was discussed at great length. Every alternative provision was given critical consideration. The arguments that were to be presented to support the American position were reviewed. The members of the committee, working on the basis of the policies adopted by the delegation, had the responsibility of carrying our program through the committees.

Problems that could not be dealt with in these standing committees were assigned by the Commissions to ad hoc committees. The position of occupied countries, dealings with non-member countries, and other questions were assigned to ad hoc committees that brought in their reports and recommendations.

In the last week of Commission I, and later of Commission II, a special committee was appointed to bring in recommendations on all unsettled questions and a drafting committee was appointed to put into final form the provisions adopted by the commission. I acted as Chairman of the special committee of Commission I, and I can tell you that on these last troublesome points, we sustained the views of the American delegation. Dean Acheson, who was chairman of the drafting committee of Commission II, can tell you of the care with which each provision was drafted after it had been passed upon by the commission.

You will want to know particularly how the American delegation worked. The delegation met in Washington on a number of occasions before the Conference. At the Conference, the delegation met every day and on some occasions two and three times a day, if an important issue required further consideration. There was unlimited opportunity for every member of the delegation to express his views on every issue at all times.

I want you to see how this delegation worked. Every important question was brought to the delegation for discussion and it was discussed in the fullest possible way. Let me give you one instance. When committee II of Commission II considered the limit on aggregate guarantees and loans of the Bank, there were great differences of opinion among countries. The Norwegian delegation wanted aggregate loans and guarantees of six times the subscribed capital of the Bank. The Netherlands delegation wanted guarantees and loans of only 80 percent of the subscribed capital. And between these extremes there were many other countries with differing views.

Within the American delegation there were a number of opinions on this question. Some delegates believed that the Bank could safely undertake loans and guarantees amounting to three times its capital. A larger number of delegates believed that loans and guarantees should be limited to one and one-half times the capital of the Bank. And perhaps the largest number felt that the loans and guarantees of the Bank should be limited to the amount of the capital. We discussed the question in the delegation for at least two days. Nobody doubted that the Bank could safely undertake larger obligations on the basis of its capital. But we were determined that every doubt should be resolved in favor of conservatism, and the delegation agreed to limit the loans and guarantees of the Bank to the amount of unimpaired capital, surplus and reserves. And that is the view that was carried at the Conference.

I could cite a number of other instances in which the American delegation considered the questions before the Conference. Always there was the fullest discussion. Always there was the greatest attention to the views of the Congressional members of the delegation. And always there was unanimous agreement on every major issue. The American delegation worked as a team -- the way Americans should work on international questions -- without any question of partisanship.

You know that in every Conference there are bound to be differences of opinion and these differences must be reconciled. There can be no benefits to anybody from a prolonged and bitter debate between the United States, England, Russia, China, France, and the other countries on issues that could be settled by discussion and negotiation.

The United States delegation took the lead in ironing out these problems that were troubling some countries. The delegation appointed a steering committee, of which I was chairman, and that committee included Congressman Wolcott, Mr. Acheson and Mr. White. Congressman Wolcott and I were delegated as a sub-committee of two to settle some of the troublesome issues, acting for the steering committee within the framework of our instructions from the whole delegation.

That is the way the delegation worked. Our point of view was agreed and agreed unanimously only after the fullest discussion. No views were more eagerly sought than those of the Congressional delegates. And I recall clearly that in presenting the attitude of Congress, no one was more forceful or more helpful than the chairman of this committee, Congressman Spence.

One of the most encouraging features of the Bretton Woods Conference was the fine spirit with which countries worked together. We had a number of problems on any of which irreconcilable differences might have developed. This did not happen because all countries showed a willingness to accommodate themselves to the general views of the Conference.

Let me illustrate. The question of quotas was one of these difficult problems. The American delegation discussed and approved a tentative list of quotas for the Fund. These quotas were discussed informally with each country to get its views. Finally, the quota committee, of which I was chairman, submitted a recommendation on quotas which was approved by the Commission. There were some countries that were not satisfied with their quotas, but the Conference sustained the report of the quota committee as generally fair to all alike.

Most requests for larger quotas were a reflection of the desire of the countries to maintain their prestige. Several countries were particularly interested in securing large enough quotas to give them or their region representation on the Executive Directors. That was true of the American Republics who wanted two directors and it was true of the Netherlands and Belgium who wanted one director between them. There were only a few cases in which countries wanted larger quotas because they believed it would give them greater opportunity to use the resources of the Fund.

The problem of subscriptions to the Bank was a little more complicated. We had expected that aggregate subscriptions to the Bank would be about \$9 billion, reserving \$1 billion for other countries. We realized that it would be necessary to revise downward the subscriptions for some countries in the Bank as compared to their quotas in the Fund. This was a simple reflection of the fact that many of the Latin American Republics and some other countries could not undertake to be guarantors on international loans to the extent of their participation in the Fund. And our delegation approved a subscription of \$3 billion to \$3-1/4 billion for the United States to keep the total subscribed capital at \$9 billion.

When the Soviet delegation reported that the Soviet Union had such large reconstruction problems of its own that it could not subscribe more than \$900 million to the capital of the Bank, we accepted their view. Under the circumstances, the subscribed capital of the Bank had to be the same as the Fund, that is \$8.8 billion. On that basis our subscription was fixed at \$3.175 billion. When on the last day of the Conference the Soviet delegation informed us of the instructions they had from their Government to increase the subscription of the Soviet Union, the American delegation met to consider this question. We agreed that it would now be possible to raise the subscribed capital of the Bank to

as much as had been originally intended, that is \$9 billion. It was also agreed that it would be better at this stage to let the Soviet subscription increase the aggregate subscribed capital to \$9.1 billion. Acting for the American delegation at the plenary session, I introduced the resolution to re-open the subscriptions to the Bank and to give the Soviet Union the opportunity to increase its subscription from \$900 million to \$1200 million.

This is one dramatic instance that reveals the harmony and the spirit of cooperation that was manifested throughout the Conference. This is one of the many reasons why I feel that the Bretton Woods Conference is an inspiration to free people in all countries who believe in the democratic process of discussion and agreement, who believe that international problems can be dealt with through international cooperation.

The Monetary Fund and the International Bank represent our first efforts in the field of international economic cooperation. If we believe in economic cooperation we must not allow them to fail. If we cannot agree on such modest efforts as these, other nations will have little faith in our will to cooperate at all.

No country in the modern world can live in peace and prosperity in economic isolation. Without economic peace there can be no political peace. Economic isolationism is as dangerous to world peace as political isolationism. Indeed without economic cooperation among the nations there is little hope of lasting political cooperation. Nations which cannot work together to provide for order and stability in their economic relations are not likely to be good guardians of the peace.

I hope our Congress, the first legislative body to pass upon the Bretton Woods Agreements, will show other countries that we believe that international problems can be dealt with through international cooperation.