

Q.1: Mr. McDermott, would you give us a brief picture, first of all, of the manner in which the news is being handled here?

A-1: We are attempting to give all of the press a full report of each day of the Conference's work. Each afternoon at three o'clock members of the press gather in this room to hear the day's developments. At such sessions one or more delegates or advisers at the Conference report on the activities of each Committee that has met during the day. This report includes a statement on the major points upon which agreement has been reached; points upon which there is disagreement and the considerations, pro and con on the subject; and occasionally proposals of general interest which have been introduced during the day, even though the proposal may not be discussed in committee until sometime later.

Any representative of the press at the press conference is free to ask any question he wants and every possible effort is made to furnish a direct reply.

I think I should also state that, in addition to the daily press conference, members of the press are free to discuss any matter with any member of the delegations of the various countries and the press has full access to all parts of the hotel except the actual committee meetings which are held in executive session. Of course, all plenary sessions of the Conference are open to the press.

Q. 1a: Mr. McDermott, you have furnished each accredited representative of the press at this Conference, off the record, with a complete text of all

the proposals as they have been introduced and prior to any discussion by the Conference. Is this customary?

A. 1a: No, that is an innovation so far as I know in handling press matters at international conferences. However, Secretary Morgenthau and the heads of the other delegations have felt that the press was entitled to have our complete cooperation; that it was important that the whole world know everything that is going on here at Bretton Woods; and we decided that the best way to do this was to give the press all of the documents in advance so they could have an ample opportunity to study each provision and ask any question they like about it when it does come up for consideration by the Conference.

Q. 1b: Has this approach proved successful, Mr. McDermott?

A. 1b: In my opinion it has been most successful and it may represent a landmark in the handling of press matters at future conferences.

Q. 2: Mr. Luxford, what is the general purpose of this International Conference?

A. 2: This Conference has two very specific assignments and one general assignment. The specific assignments are:

- (1) to formulate a concrete proposal for an International Monetary Fund, which proposal when agreed upon will be referred back to each country represented for its acceptance or rejection.

- (2) to formulate a concrete proposal for an International Bank for Reconstruction and Development for submission to each country represented in the same manner.

The general assignment is to consider what other means of Monetary and International Financial Cooperations are necessary and to formulate recommendations on these subjects.

Q. 5 Mr. Laxford, will the delegates to this Conference actually sign an agreement which will be binding on each country?

A.3: No sir. President Roosevelt in inviting the various countries to participate in this Conference expressly stated that no country will be asked to enter into a binding agreement at this Conference.

Instead, we are assembled here for the purpose of ^{reaching an} ~~formulating the~~ ~~precise terms for the International Fund and International Bank but~~ ~~agreement which can then be submitted by~~

^{to} ~~each delegation will submit such proposals to its government for~~ acceptance or rejection.

Q.4: Mr. Laxford, will Congress have to approve our participation in the International Monetary Fund and International Bank?

A.4: Yes sir. Secretary Morgenthau has repeatedly stated that any agreements on either proposal will be submitted to Congress for their approval or rejection and that this country would make no commitments whatsoever which would interfere with the freedom of Congress to make its own decision.

Q. 4 Just what is the purpose of the Stabilization Fund, Mr. Lufford? f

A. 4 Without going into detail Mr. _____, the International Monetary Fund is intended to make it ultimately possible for the countries of the world, that join the Fund, to freely engage in trade and commerce with each other with confidence, that the currencies they receive for their goods will have a stable value and can be spent when they want to spend them. In other words, if I might use a loose analogy, the countries of the world are today in about the same condition as the thirteen original Colonies of this country at the time the Constitution was adopted. Each had its own currency and trade between Colonies was constantly menaced if not strangled because no one could be certain that if he took the currency of another Colony it would be good when he needed it. Each Colony's currency fluctuated widely in value and trade was most difficult and the financial risks involved were great.

Now, we went a long way toward solving this currency problem when the thirteen Colonies accepted the Constitution and permitted the Federal Government to introduce a single currency, namely the

dollar, which had the same value in all the Colonies. It was then possible for trade to develop amongst the states on an ever expanding basis to the benefit of all of us.

That in a broad sense is what we are now shooting at in this Conference with the International Monetary Fund. We do not intend, of course, to substitute one currency for all the currencies now in use in the world. But, and this is most important, we do intend that every country joining the Fund shall define the value of its currency in gold and undertake to maintain that value. Thus, gold becomes the common denominator for all the currencies, just as the dollar became the common denominator for all trade in the U. S.

We also intend to strive toward the goal of complete convertibility of member currencies so that the American exporter who sells automobiles to Mexico for Mexican pesos or radios to Russia for Russian rubles can always convert the pesos or rubles back into dollars without loss. More than that, we also want to be certain that the foreign currencies for which we sell goods abroad can always be used by us to buy goods from those countries whose currencies we take.

That in a nutshell is what we are attempting to work out through the International Monetary Fund. If we are successful and, if the countries of the world are given an opportunity to reconstruct their economies after the war, it is not too much to say that the world may see the day when trade and commerce may flow as freely between countries as it now does between the States of the United States. Thus the level of real income in each country can be raised just as the financial unification of the thirteen Colonies facilitated their development into these 48 states of the U. S.

Q. 5 What about the International Bank, Mr. Laxford. What are its general purposes?

A. 5 You will recall that in discussing what the International Monetary Fund could do for foreign trade, I qualified my statement by saying: "if the countries of the world are given a chance to reconstruct their economies after the war". Well that is exactly where the International Bank for Reconstruction and Development enters the picture.

The highly developed industrial system of this country did not emerge merely from the adoption of a single currency for the whole of the United States. No, it also was greatly assisted by the

investment of foreign capital in this country. At the end of the Revolutionary War we were rich in natural resources but no one here had the capital to finance the development of these resources so that the world as a whole could profit from their use.

Foreign investors, having capital, invested in our industry, and with this capital we were able to translate our raw materials into goods that now flows into every nook and cranny of this world. We have profited - the whole world has profited from this investment of foreign capital during our early days.

Today there are other countries similarly in need of capital with which to develop their resources. However, the bitter experience of the twenties and thirties after the last war makes countries having the necessary capital most wary of investing it abroad. There is too little assurance that they will ever get it back - let alone earning a return on their investment.

To those of us who have studied the problem it seems most clear that capital is available for investment abroad if the investor can be assured that the money will be repaid and that he will receive a fair return for the use of his money.

That is the primary task of the Bank. Not to actually invest its capital abroad for purposes of reconstruction and development, but to use its vast resources to guarantee to the private investor that he will not lose his money or a fair return on it.

This the Bank can do, for it will have ten billion dollars in resources and the combined pledge of 44 countries, to meet any possible losses. Moreover, it strikes at the very root of sound foreign investment by seeing to it that loans which it guarantees actually are sound loans, actually will increase the productivity of the borrowing country, and that the borrowing country actually will be able to repay the loan. Thus it will do what no private investor is in a position to do, make an important study of the whole project and obtain the international commitment of the borrowing country and 44 other countries that the loan will be repaid.

The Bank will insure investors against loss; it will insure under-developed and war-torn countries capital with which to develop their resources and it will take the measures required to protect itself against loss. These are the essentials of restoring private foreign investment.

Q. Then you ^{will} ~~mean~~ that the International Bank will ^{be} not compete with private ^{banks} investors?

A. On the contrary, it will not take any loan that the private market will absorb on reasonable terms. Further, it can be safely stated that, unless an International Bank of this character does affect guarantee foreign loans, the private investor will do little foreign investing because he knows only too well what happened after the last World War when adequate steps were not taken to protect his interests and he ended up the loser.

Q. Why should this be an International Bank rather than a bank owned solely by the United States?

A. That is an important question, but the answer is simple. The whole world profits from a country developing its raw resources and the trade of each country increases. That being so, it is only reasonable that each country should share the risk of loss in each case. It is as simple as this: the whole world profits from sound foreign investment—therefore, the whole world should bear any possible losses.

Q. Mr. Luxford, do you think that agreement will be reached at this Conference

on both the Fund and Bank proposals?

- A. I can only repeat the reply Secretary Morgenthau made to that question earlier today, namely, that we are confident that agreement will be reached before this Conference adjourns.