

January 17, 1945

DRAFT

To the Congress of the United States:

In my Budget Message of January 9 I called attention to the need for immediate action on the Bretton Woods proposals for an International Monetary Fund and an International Bank for Reconstruction and Development. It is my purpose in this message to indicate the importance of these international organizations in our plans for a peaceful and prosperous world.

As we dedicate our total efforts to the task of winning this war we must never lose sight of the fact that victory is not only an end in itself but, in a large sense, victory offers us the means of achieving the goal of lasting peace and a better way of life. Victory does not insure the achievement of these larger goals - it merely offers us the opportunity - the chance - to seek their attainment. Whether we will have the courage and vision to avail ourselves of this tremendous opportunity - purchased at so great a cost - is yet to be determined. On our shoulders rests the heavy responsibility for making this momentous decision. I have said before, and I repeat again: This generation has a rendezvous with destiny.

If we are to measure up to the task of peace with the same stature as we have measured up to the task of war, we must see that the institutions of peace rest firmly on the solid foundations of international political and economic cooperation. The cornerstone for international political

cooperation is the Dumbarton Oaks proposal for a permanent United Nations. International political relations will be friendly and constructive, however, only if solutions are found to the difficult economic problems we face today. The cornerstone for international economic cooperation is the Bretton Woods proposal for an International Monetary Fund and an International Bank for Reconstruction and Development.

These proposals for an International Fund and International Bank are concrete evidence that the economic objectives of the United States agree with those of the United Nations. They illustrate our unity of purpose and interest in the economic field. What we need and what they need correspond -- expanded production, employment, exchange and consumption -- in other words, more goods produced, more jobs, more trade, and a higher standard of living for us all. To the people of the United States this means real peacetime employment for those who will be returning from the war and for those at home whose wartime work has ended. It also means orders and profits to our industries and fair prices to our farmers. We shall need prosperous markets in the world to ensure our own prosperity, and we shall need the goods the world can sell us. For all these purposes, as well as for a peace that will endure, we need the partnership of the United Nations.

The first problem in time which we must cope with is that of saving life, and getting resources and people back into production. In many of the liberated countries economic life has all but stopped. Transportation systems are in ruins,

and therefore coal and raw materials cannot be brought to factories. Many factories themselves are shattered, power plants smashed, transmission systems broken, bridges blown up or bombed, ports clogged with suken wrecks, and great rich areas of farm land inundated by the sea. People are tired and sick and hungry. But they are eager to go to work again, and to create again with their own hands and under their own leaders the necessary physical basis of their lives.

Emergency relief is under way behind the armies under the authority of local Governments, backed up first by the allied military command and after that by the United Nations Relief and Rehabilitation Administration. Our participation in the UNRRA has been approved by Congress. But neither UNRRA nor the armies are designed for the construction or reconstruction of large scale public works or factories or power plants or transportation systems. That job must be done otherwise, and it must be started soon.

The main job of restoration is not one of relief. It is one of reconstruction which must largely be done by local people and their Governments. They will provide the labor, the local money, and most of the materials. The same is true for all the many plans for the improvement of transportation, agriculture, industry, and housing, that are essential to the development of the economically backward areas of the world. But some of the things required for all these projects, both of reconstruction and development,

will have to come from overseas. It is at this point that our highly developed economy can play a role important to the rest of the world and very profitable to the United States. Inquiries for numerous materials, and for all kinds of equipment and machinery in connection with such projects are already being directed to our industries, and many more will come. This business will be welcome just as soon as the more urgent production for the war itself ends.

The main problem will be for these countries to obtain the means of payment. In the long run we can be paid for what we sell abroad chiefly in goods and services. But at the moment many of the countries who want to be our customers are prostrate. Other countries have devoted their economies so completely to the war that they do not have the resources for reconstruction and development. Unless a means of financing is found, such countries will be unable to restore their economies and, in desperation, will be forced to carry forward and intensify existing systems of discriminatory trade practices, restrictive exchange controls, competitive depreciation of currencies and other forms of economic warfare. That would destroy all our good hopes. We must move promptly to prevent its happening, and we must move on several fronts, including finance and trade.

The United States should act promptly upon the plan for the International Bank, which will make or guarantee sound loans for the foreign currency requirements of important

reconstruction and development projects in member countries. One of its most important functions will be to facilitate and make secure wide private participation in such loans. The Articles of Agreement constituting the charter of the bank have been worked out with great care by an international conference of experts and give adequate protection to all interests. I recommend to the Congress that we accept the plan, subscribe the capital allotted to us, and participate wholeheartedly in the Bank's work.

This measure, with others I shall later suggest, should go far to take care of our part of the lending requirements of the post-war years. They should help the countries concerned to get production started, to get over the first crisis of disorganization and fear, to begin the work of reconstruction and development; and they should help our farmers and our industries to get over the crisis of reconversion by making a large volume of export business possible in the post-war years. As confidence returns private investors will participate more and more in foreign lending and investment without any Government assistance. But to get over the first crisis, in the situation that confronts us, loans and guarantees by agencies of Government will be essential.

We all know, however, that a prosperous world economy must be built on more than foreign investment. Exchange rates must be stabilized, and the channels of trade opened up throughout the world. A large foreign trade after victory will generate production and therefore wealth. It will also make possible the servicing of foreign investments.

Almost no one in the modern world produces what he eats and wears and lives in. It is only by the division of labor among people and among geographic areas with all their varied resources, and by the increased all-around production which specialization makes possible, that any modern country can sustain its present population. It is through exchange and trade that efficient production in large units becomes possible. To expand the trading circle, to make it richer, more competitive, more varied, is a fundamental contribution to everybody's wealth and welfare.

It is time for the United States to take the lead in establishing the principle of economic cooperation as the foundation for expanded world trade. We propose to do this, not by setting up a super-government, but by international negotiation and agreement, directed to the improvement of the monetary institutions of the world and of the laws that govern trade. We have done a good deal in these directions in the last ten years under the Trade Agreements Act of 1934 and through the stabilization fund operated by our Treasury. But our present enemies were powerful in those years too, and they devoted all their efforts not to international collaboration, but to autarchy and economic warfare. When victory is won we must be ready to go forward rapidly on a wide front. We all know very well that this will be a long and complicated business.

A good start has been made. The United Nations Monetary Conference at Bretton Woods has taken a long step forward on

a matter of great practical importance to us all. The Conference submitted a plan to create an International Monetary Fund which will put an end to monetary chaos. The Fund is a financial institution to preserve stability and order in the exchange rates between different moneys. It does not create a single money for the world; neither we nor anyone else is ready to do that. There will still be a different money in each country, but with the Fund in operation the value of each currency in international trade will remain comparatively stable. Changes in the value of foreign currencies will be made only after careful consideration by the Fund of the factors involved. Furthermore, and equally important, the Fund Agreement establishes a code of agreed principles for the conduct of exchange and currency affairs. In a nutshell, the Fund Agreement spells the difference between a world caught again in the maelstrom of panic and economic warfare culminating in war - as in the 1930's - or a world in which the members strive for a better life through mutual trust, cooperation and assistance. The choice is ours.

I therefore recommend prompt action by the Congress to provide the subscription of the United States to the International Monetary Fund, and the legislation necessary for our membership in the Fund.

The International Fund and Bank together represent one of the most sound and useful proposals for international collaboration now before us. On the other hand, I do not want to leave with you the impression that these proposals for the Fund and Bank are perfect in every detail. It may well be that the experience of future years will show us how they can be improved. I do wish to make it clear, however, that these Articles of Agreement are the product of the best minds that 44 nations could muster. These men, who represented nations

from all parts of the globe, nations in all stages of economic development, nations with different political and economic philosophies, have reached an accord which is presented to you for your consideration and approval. It would be a tragedy if differences of opinion on minor details should lead us to sacrifice the basic agreement achieved on the major problems.

Now do I want to leave with you the impression that the Fund and the Bank are all that we will need to solve the economic problems which will face the United Nations when the war is over. There are other problems which we will be called upon to solve. It is my expectation that other proposals will shortly be ready to submit to you for your consideration. These will include the establishment of an international organization in the field of food and agriculture, a renewal of the Trade Agreements Act of 1941, a multilateral agreement on the subject of commercial policy, an arrangement for the distribution of burdensome world surpluses of certain commodities, a revision of the Export-Import Bank, and an international oil agreement, as well as proposals in the fields of civil aviation, shipping and radio and wire communications.

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In this message I have recommended for your consideration the immediate adoption of the Bretton Woods Agreements and suggested other measures which will have to be dealt with in the near future. They are all parts of a consistent whole. That whole is our hope for a secure and fruitful world, a world in which plain people in all countries can work at tasks which they do well, exchange in peace the products of their labor, and work out their several destinies in security and peace; a world in which governments, as their major contribution to the common welfare are highly and effectively resolved to work together in



practical affairs, and to guide all their actions by the knowledge that any policy or act that has effects abroad must be considered in the light of those effects.

The point in history at which we stand is full of promise and of danger. The world will either move toward unity and widely shared prosperity or it will move apart into necessarily competing economic blocs. We have a chance, we citizens of the United States, to use our influence in favor of a more united and cooperating world. Whether we do so will determine, as far as it is in our power, the kind of lives our grandchildren can live.