

DRAFT
A.P.L. - January 16, 1945

To the Congress of the United States:

In my message of January 9 outlining the budget for the next fiscal year, 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 larger sense, victory offers us the means to 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 that with which 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 healthy and vigorous, 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 - that what we need and what they need correspond. Expanded production, employment, exchange and consumption - that is more goods to be produced, more jobs, more trade, and a higher standard of living for us all - that is what we in the United States shall need in order to furnish real peace-time employment to the men and women who will be returning from the war and to those at home whose war-time work has ended, and in order to bring 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 sunken wrecks, raw materials exhausted, and great rich areas of farmland 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 work of reconstruction must be done by local people and their Governments, under whatever plans they may set up. They will provide the labor, and 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 being developed in many parts of the world. But some of the things required for all these projects, both of reconstruction and development, will have to come from overseas, because they cannot be produced at home. It is at that point that the highly developed industries and agriculture of the United States will have an opportunity to make a major contribution to the reconstruction of the liberated countries, to the creation of new productive wealth in many lands, and to our own prosperity. 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 orders of the war itself begin to taper off. The question as to most of it will be 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, and have few goods available for export. Other countries have devoted their resources so completely to

the war that both the foreign investments and the shipping and the export trade on which they formerly relied to balance their accounts abroad are so reduced in size that they will have the greatest difficulty for a time in making foreign payment for their necessary imports. Unless emergency financing is found, their merchant fleets restored, and the markets of the world opened promptly to their exports, such countries may be forced in desperation to reduce their imports from the world, including us, and to carry forward and intensify existing systems of preferential trading, foreign exchange control, and bilateral settlement of balances. That would contradict all our good hopes. We must move promptly to prevent its happening, and we must move on several fronts, including finance, trade, and shipping.

For the purpose of financing a major part of these various requirements I recommend to the Congress that we accept membership in the International Bank for Reconstruction and Development proposed at Bretton Woods.

The United States should act promptly upon the plan for the International Bank and should subscribe our indicated share of capital. The function of this bank will be to make, or guarantee, sound loans for the foreign currency requirements of important projects or reconstruction or development 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. This is one of the most sound and useful proposals for practical international collaboration now before us. I recommend 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 emergency lending requirements of the early 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 early post-war years. As confidence returns private interests may be expected more and more to participate in foreign lending and investment, and Government lending institutions will be able to restrict their operations. 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 permanent prosperity needs more than lending. Exchange rates must be stabilized, and the channels of trade opened up throughout the world. A large foreign trade in all directions after victory is the chief means through which the various nations of the world may pay their foreign debts or collect their foreign claims. That is one reason, but not the chief reason, for desiring a great increase in the foreign trade of the United States in both directions.

The main reason for wanting to increase foreign trade, or any trade, is that trade generates production and therefore wealth. Almost no one in the modern world produces what he eats and wears and lives in. If we tried to do so most of us would die. 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.

We understand this very well within the United States, and have acted on it consistently for many years in three fundamental policies of Government. First, by the Constitution,

we forbid our States and cities to raise up barriers against each other's products. Second, by the national currency and banking laws, we assure a single money everywhere within the country. Third, by the anti-trust laws we prevent restrictions of the market by monopolies and combinations. All three policies are fundamental. By the three together we insure a wide, free and competitive market as big as the United States. The result of that and of our great and varied resources and many skills is the most efficient industry and the highest standard of living in the world.

When trade seeks to cross national frontiers, none of the three great policies exist. Custom-houses stand at every border, and beside them have grown up a whole complicated network of restrictions, quotas, prohibitions and discriminations. A different kind of money prevails in every country, and their exchange rates with each other are not stable. And instead of competition traders often meet cartels and combinations, sometimes backed by governments. It is not any wonder that international trade has so often in the past brought not the mutual advantage which it should, but discord and contention.

It is time for the United States to take the lead in saying that the principles which we apply at home are sound, have worked, and deserve to be extended to

international transactions. We propose to do this, not by setting up a super-government, but by international negotiation and agreement, directed to improvement in the monetary institutions of the world and in the laws that govern trade. We have done a good deal in those 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. 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 long and complicated business.

It has got off to a good start. The United Nations Monetary Conference at Bretton Woods has submitted a plan to create an International Monetary Fund. 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 when the Fund is put in operation there will be a means available to preserve stability in the exchange rates, or to have changes made only after orderly discussion of the reasons. Furthermore, and equally important, the Fund Agreement states a code of agreed principles for the conduct of exchange and currency affairs.

It holds out hope of fair dealing in the acts of governments in relation to exchanges, dealing consistent with the interests of traders and of peoples. It will help put an end to monetary chaos, and to arbitrary action by one country. It is a great step forward in intelligent international collaboration on a matter of great practical importance to us all. 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 authorizing subscription by the United States to the International Monetary Fund, and the legislation necessary for our membership in the fund, and for our full participation in its management and operation.

I do not want to leave with you the impression that these proposals for an International Fund and International 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 1934, a multilateral agreement on the subject of commercial policy, an arrangement for the distribution of burdensome world surpluses of certain commodities, and a revision of the Export-Import Bank, and 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 can do well, exchange in peace the products of their labor, and work out their several destinies in security and peace; and 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 danger and of promise. The world will either move toward unity and widely shared prosperity or it will move apart into more or less self-sufficient but necessarily competing economic blocs. We have a chance, we citizens of the United States, to use whatever influence we have in favor of a more united and cooperating world. Whether we do so will determine, as far as that is in our power, the kind of lives our grandchildren can live.