

Draft, January 16, 1945

To the Congress of the United States:

In my budget message of January 9, 1945, I called attention to the need for early 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 a prosperous world and to urge your favorable consideration of the Bretton Woods proposals.

The people of the United States and of the United Nations have dedicated themselves without limitation to winning this war for freedom and democracy. When this war has been won all of the free and democratic peoples must remain united to achieve peace and prosperity. The objectives of peace and prosperity are shared by the people of all the United Nations and they can be attained only through continued cooperation.

At Dumbarton Oaks, the United Nations pointed the way to the maintenance of peace through an international security organization. At Bretton Woods they prepared Articles of Agreement for an International Monetary Fund and an International Bank for Reconstruction and Development through which all countries can cooperate in providing a sound economic foundation for a prosperous world economy. It is through such concrete measures that we must proceed in putting into effect as soon as possible the means for assuring a peaceful and prosperous world.

Peace and prosperity are inseparable. There can be no real peace in a world of economic disorder and economic aggression. The prospects for peace will be infinitely better if we recognize the economic interdependence of all

countries and if we cooperate in dealing with international economic problems. Unless we can establish a prosperous world economy the task of securing an enduring peace is certain to be more difficult. International political relations will be friendly and frank only if solutions are found to the difficult economic problems the world will face after the war. If the world neglects the international economic problems growing out of this war, we must expect a recurrence of the economic disorders and the economic aggressions of the 1930's. I can imagine no greater danger to permanent peace than the political atmosphere which would be created by unrestrained economic rivalry.

The Bretton Woods Conference dealt with two of the urgent problems that must be settled if the world economy is to function effectively. It was recognized by the representatives of all countries that international cooperation is essential in dealing with the problems of currency stabilization and international investment. The Conference proposed the establishment of an International Monetary Fund and an International Bank for Reconstruction and Development. The Fund will remove from the arsenal of economic warfare some of its most destructive ^{monetary} weapons and prevent a recurrence of the monetary disorders of the 1930's. The Bank will facilitate the restoration of the economic health of the devastated and undeveloped countries.

The International Monetary Fund will provide a means through which countries can cooperate in attaining and maintaining a system of stable and orderly exchange rates under which international trade can revive and grow. The Fund will outlaw competitive currency depreciation, multiple currency devices, and discriminatory exchange practices. Member countries undertake to define the parities of their currencies in terms of gold, to keep exchange rates stable,

and to make no changes except after consultation with the Fund or with its concurrence. Countries can undertake to maintain such stable and orderly exchange policies only if they have help in meeting a balance of payments which is temporarily adverse. The Fund, through the resources subscribed by the 44 United Nations, will be in a position to provide such supplementary help in limited amounts and under adequate safeguards, while member countries pursue measures to correct the maladjustment in their balance of payments.

There can be no revival of world trade until countries devastated by war are prepared to export and import again. It is equally important to facilitate the economic development of backward countries. The development of the producing and the consuming powers of these countries is essential to the expansion of world trade, which has always been greatest among countries with high standards of living. The principal function of the Bank will be the encouragement of private investment by guaranteeing loans which are sound from the point of view of both debtor and creditor. Because all countries will share in the benefits of expanded trade, the countries represented at Bretton Woods have recognized their joint responsibility in encouraging productive international investment. Lending and borrowing countries share alike the risks of international investment.

If we are to solve the international economic problems of the postwar period, it is essential that the level of world trade be raised to more than \$10 billion. This is an increase of 50 percent above the low levels that prevailed before the war, when trade was stifled by unstable exchanges, discriminatory arrangements, and by the cessation of international investment. With \$80 billion of trade, it will be possible for the great industrial countries to maintain high levels of employment; it will be possible for the great

trading countries to restore balance in their international accounts; and it will be possible for the newer countries to secure the capital they need for their economic development.

Our domestic economic policies must give primary emphasis to providing jobs and raising the standard of living through our economy of free enterprise. Domestic measures alone will not achieve this goal and we cannot isolate ourselves from economic conditions in other countries. In a world of inadequate trade and investment, economic aggression is an ever present temptation, which can only have the effect of further restricting trade and spreading depression from country to country. The expansion and balanced growth of international trade are essential to a world that must live in peace and prosperity.

As the greatest trading country in the world, we have a special interest in facilitating the establishment of a prosperous world economy. We shall be faced after the war with the problem of providing nearly 60 million jobs at home. Consider what it would mean to this country if our export of goods and services could reach \$10 billion a year during the postwar decade. It would mean 3 million jobs in industry, and foreign markets for the agricultural output of about a million people. To attain such a level of exports it would be necessary for this country to increase its imports of goods and services and to resume productive international investment.

I do not want to leave with you the impression that these proposals for the International Monetary Fund and the International Bank for Reconstruction and Development are certain to prove perfect in every detail. It may be that the experience of future years will show us how they can be improved. We must not, however, allow differences of opinion on minor technical details to lead us to sacrifice the basic agreement achieved on these major international economic problems.

The Fund and the Bank are not intended and cannot serve as a solution of all the economic problems which will face the United Nations after the war. Each international economic problem must be dealt with in the manner most appropriate to its solution. It is my expectation that other proposals will shortly be submitted for your consideration. These will include the establishment of an international organization in the field of food and agriculture, a multilateral agreement on the reduction of the barriers to international trade, arrangements for world distribution of surpluses of certain commodities, and the revision of the Export-Import Bank of Washington to meet certain problems of particular interest to the United States.

The United States is the first country to submit the Bretton Woods program to Congress. The other United Nations look to us for leadership in establishing the principle of international economic cooperation. It is of major importance to our well-being to establish this principle which has been the policy of the United States during the past ten years. We have learned from experience that no country can isolate itself from the world economy. No country can successfully pursue its own economic objectives unless it has assurance that the measures it takes will not be offset by economic aggression and economic depression originating abroad.