

HEARINGS ON BRETTON WOODS ENABLING LEGISLATION  
BEFORE HOUSE BANKING AND CURRENCY COMMITTEE

March 19, 1945 - 10:30 A.M.

(Ninth day of hearings)

Assistant Secretary of State Dean Acheson was recalled for further testimony. He inserted into the record a list of United States agencies presently empowered to extend loans or make expenditures abroad (as requested previously by Representative Buffett (R. Nebr.)), and exhibited five large volumes containing all the documents prepared for or presented at the Bretton Woods Conference which he offered to turn over to the Committee in fulfillment of the earlier request of Representative Sumner (R. Ill.).

Representative Sundstrom (R. N.J.) asked whether the United States would be under any moral obligation to supply the Fund with additional dollars if the United States contribution were exhausted. Mr. Acheson answered we would be under no obligation whatever.

Representative Smith (R. O.) asked how much the proportional share of the United States quota and voting power would be reduced if the Fund and Bank were each enlarged to 10 billion dollars by the admission of new members. Mr. Acheson replied that he could not give definite figures but that he did not think an appreciable change would result. Representative Smith suggested that the Fund commitments would deprive Congress of its constitutional power to change the value of the dollar. Mr. Acheson replied that Congress would retain ultimate power to act as it saw fit but that prior consultation with the Fund would be considered as the approved method.

Representative Wolcott (R. Mich.) reviewed the background of his questioning of Judge Vinson on Saturday, and referred to rumors that loans aggregating about 20 billion dollars were contemplated through the Lend-Lease mechanism or direct government-to-government lending. He asked Mr. Acheson for details of the Lend-Lease agreement with France and for such broader information as he might be able to furnish. Mr. Acheson read from Mr. Wolcott's questions to Judge Vinson to show that the Representative had suggested that these rumored loans were contemplated "under Lend-Lease." The Assistant Secretary wanted to make clear to the Committee that there was no authority to make loans under Lend-Lease. There was no intent of supplying materials other than those necessary for war, and nothing would be done under Lend-Lease for post-war purposes. The agreement with France was designed to supply that country with the materials and equipment necessary to make it the most effective possible base for United States military operations. A supply program for a period of 18 months was drawn up in the belief that we could not afford to base our planning on optimistic or pessimistic estimates of the war's duration. Many of the materials to be supplied would have a productive life long after the conclusion of the war. These were placed in Schedule II of the Agreement and would be completely paid for by France. Their value was limited to 900 million dollars. Less durable supplies and equipment, listed in Schedule I, would be furnished to a value of 1,675 million dollars. As long as the war continues, commodities under this schedule will be delivered under straight Lend-Lease. We agreed with the French that we would place these items in our war production program on condition that, when the President should decide that the European war is over, the French would stand ready to purchase the undelivered items if we so desired. We retained the right to refuse to deliver any of the items which might be required by this country. There was no idea of making a loan to France

except in so far as we gave that country time in which to pay for the specified goods. Terms of payment were specified in the agreement. France is required to pay 20 per cent of the purchase price of Schedule II items on delivery; the balance due on these items; and the entire purchase price of Schedule I items delivered after the end of straight Lend-Lease, must be paid in 30 years and interest on the unpaid balance is charged at the rate of 2-3/8 per cent. Similar agreements may be negotiated with the Netherlands and with Belgium.

Representative Wolcott asked whether there was a time limit on the carrying out of such contracts. He was not convinced that the provisions of Section 3(c) of the Lend-Lease Act, or the amendment to that Act passed by the House last week, gave adequate assurance that contracts could not be signed before the expiration of Lend-Lease which would require years to carry out. Mr. Acheson assured Representative Wolcott that the President's powers to manufacture or transfer goods under Lend-Lease would definitely expire at the end of the 3-year "clean up period" provided in the Lend-Lease Act.

In answer to Representative Wolcott, Mr. Acheson said that, so far as he was aware, no plans for direct government loans were under discussion. Loans had been requested by other governments but the answer had been that such loans would have to be approved and authorized by Congress. The United States had been forced to refuse to grant certain types of aid to Russia under the Lend-Lease program, and had offered alternative proposals which Russia rejected.

In answer to questions asked by Representative Kunkel (R. Pa.) Mr. Acheson expressed the opinion that if the United States were to accept the Bretton Woods agreements as framed, other countries would not seek to revise the agreements in line with reservations they may have entered at Bretton Woods. He told Representative Smith that if other countries should adopt a revised version of the agreements, Congress would have to reconsider the problem under the terms of the enabling legislation.

Board of Governors  
of the Federal Reserve System  
Division of Research and Statistics  
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