

Federal Reserve Policy with Respect to the
Proposed International Monetary Fund and Bank
for Reconstruction and Development.

(Bretton Woods - June 28, 1945.)

Statement by Chairman Eccles:

Before I was designated as a member of the American Delegation the Board of Governors had taken no position with respect to the tentative plans which were then in the course of being drafted as a basis for establishment of the proposed International Monetary Fund and International Bank for Reconstruction and Development. Members of the staff, however, had informally given their assistance and advice to the members of the Treasury staff who were engaged in this work and had kept the Board informed. In addition, the proposed plans had been the subject of a considerable amount of discussion, both inside and outside the Federal Reserve System, and it was recognized that there had been differences of opinion among the officers and directors of the Federal Reserve Banks. From time to time the Board received communications from the Federal Reserve Banks on the subject and the Board's conference with representatives of the Presidents' and Chairmen's conferences and others on June 6, 1944, brought out very clearly some of these different views. Following this conference, the Board invited such further advice as the officers and directors of the Banks might wish to submit.

Towards the last of May I was advised informally by the Secretary of the Treasury that the President wished me to serve as a member of the American Delegation, which would attend and participate in the United Nations Monetary and Financial Conference to be held at Bretton Woods, beginning July 1, for the purpose of considering the proposed plans. It was made clear, as I would naturally assume anyhow, that the President's request was addressed to me in my official capacity as Chairman of the Board of Governors of the Federal Reserve System in recognition of the Board's responsibility as an agency of Congress in the field of national credit and monetary policy. Therefore, I took the matter up with the Board and it was pointed out in the discussion that the only reason I could present for not accepting the appointment would be a position on the part of the Board that it was opposed to the plan and did not want to be represented at the conference. It was felt, however, that this would be very difficult to explain and that it would indicate a fundamental cleavage between the System and the Treasury. Moreover, it would very likely result in the complete exclusion of the Board thereafter from any participation in the development of the plan or in its workings if it were put into effect. After careful consideration, the Board expressed the opinion that the adoption of a plan within the framework of the joint statement would be desirable and that I should attend the conference as a representative of the Board of Governors. At the conclusion of the discussion the Board approved my attendance at the international conference at Bretton Woods as a member of the American Delegation representing the Board of Governors. Accordingly, I accepted the invitation and subsequently received from the Secretary of State formal advice of the President's approval,

together with a copy of the President's instructions to Secretary Morgenthau, as Chairman of the Delegation, which contained, among other things, the following statement:

"The responsibility which you and the other delegates of the American Delegation will undertake is the responsibility of demonstrating to the world that international postwar cooperation is possible. I am confident that you will do your best to accomplish the purposes of the conference."

In these circumstances, additions were made to the members of the Board's staff who had been assisting the Treasury and they participated in the drafting work that was done at Atlantic City in preparation for the conference, together with several officers of the Federal Reserve Banks, and a substantial number of the members of the Board's staff and officers of the Federal Reserve Banks participated as technicians in the work of the conference at Bretton Woods. Governor Szymczak accompanied me to the conference and I participated in the deliberations of the American Delegation which, together with the delegations representing all the other nations at the conference, unanimously approved the plans as finally evolved for the International Monetary Fund and International Bank for Reconstruction and Development.

At the conclusion of the conference the President of the United States sent a message to the representatives of the 44 nations conveying congratulations on the successful completion of their difficult task and containing the following statement:

"They have prepared two further foundation stones for the structure of lasting peace and security. They have shown that the people of the United Nations can work together to plan the peace as well as fight the war."

In the light of these circumstances it seems clear to me that the Board is committed to the principle involved in these plans and to cooperate in helping to carry them out. Moreover, it is evident that if they should be put into effect, the Federal Reserve Banks, as the central banking system of the country, would be called upon to play some part. I may add that in a letter under date of August 5, 1944, which was received from Secretary Morgenthau, the following statement appears:

"We still have before us the task of bringing to the attention of the people and of Congress the importance of the work done at Bretton Woods and the necessity of participation by the United States in the International Monetary Fund and the International Bank for Reconstruction and Development."

"There is still much to be done before the Conference will have achieved its ultimate purpose. We need the help of every member of the United States delegation in carrying the program of the Conference to a successful conclusion."

For these reasons it seems to me that the Board has accepted a responsibility as the Governmental agency at the head of the Federal Reserve System for cooperating in the further development of this program and while the exchange of views and information among the Banks and the Board should continue so that they may be fully advised, the public expression of an adverse attitude, if any, on the part of any of the Federal Reserve Banks would be likely to impair the usefulness of the System in its relations to the problems growing out of the conference.