

TREASURY DEPARTMENT  
Washington

Statement of Secretary Morgenthau  
before the Senate Committees on Foreign Relations,  
Banking and Currency, and the Special Committee on  
Post-War Economic Policy and Planning

and before the

House of Representative Committees on Foreign  
Affairs, Ways and Means, Banking and Currency,  
Coinage, Weights and Measures, and Special  
Committee on Post-War Economic Policy and  
Planning

Friday, April 21, 1944

I am happy to tell you today that technical experts of the United Nations have agreed upon a set of basic principles for an International Monetary Fund. This is a great step forward. It is of greatest importance to all of us who believe that the nations of the world can cooperate in dealing with international economic problems.

Technicians representing some of these thirty nations have prepared a joint statement of the principles which are agreed upon. This statement does not, of course, bind any government to participate in the International Monetary Fund, though it does mean that the Fund will be recommended to each of the governments as a practical means of meeting post-war monetary problems.

I want to call particular attention to some of the facts contained in this joint statement, but before I do that I should like to review with you some of the things that have happened since I appeared before these Committees on October 5 of last year. At that time, I told you I would like to keep you informed of progress, and accordingly I appreciate this opportunity to bring you up to date.

Since I last talked to you, we have discussed the principles of the international stabilization and investment program with bankers, labor representatives and other interested groups in Washington, Chicago, Boston, Philadelphia, New York, and other cities. Out of these meetings came helpful suggestions, many of which were incorporated in our plans.

The vast majority of those with whom we have talked are inclined to look favorably upon the principle of cooperation to maintain stable and orderly exchange rates. Informed opinion seems to point to private investment on a world wide

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basis as vital to post-war recovery and reconstruction; and the stabilization of currencies among the United Nations through the medium of an international fund, is generally believed to be a necessary prerequisite to this investment. I believe we cannot expect American business men, nor business men of any nation, to take major financial risks, immediately upon the heels of a catastrophic global war, without some assurance that steps have been taken to prevent their investments from being jeopardized by unduly fluctuating money values and severe exchange restrictions.

Having studied the world picture after the last war, we are all agreed that an effort must be made to prevent, insofar as possible, harmful fluctuations of currency; and to prohibit deliberate manipulation of currencies in an effort to secure unfair competitive advantage in world trade.

When I was here on October 5, I spoke of a projected international bank for reconstruction and development.

Because discussions on the Bank were initiated somewhat later they are not yet completely finished. I can tell you, however, that there is considerable support for the general principles embodied in the World Bank, and that good progress has been made.

Those with whom we have discussed the problem of reviving post-war international investment regard the bank as essential to the expansion of international trade and the maintenance of a high level of business activity. They believe it necessary to take steps to encourage and aid private investors in providing an adequate volume of long-term investment capital for productive purposes.

The discussions we have had contemplate the establishment of a Bank for Reconstruction and Development to facilitate long-term investment capital through private financial agencies by guaranteeing and participating in loans made by private investors. The Bank would also supplement investment of private financial agencies if this becomes necessary, by lending for productive purposes from its own resources when private capital is otherwise not available on reasonable terms.

A full statement of recommendations on the establishment of such a Bank and of the principles on which such a Bank should be based is still in preparation by technicians. It is my hope that this statement will soon be completed and that it will be issued later. Before it is published, I shall fully inform your committees.

Now I should like to explain briefly some of the principles upon which the technicians are agreed in connection with the International Monetary Fund.

Here are the purposes and policies as set forth in the Joint Statement:

- (1) To promote international monetary cooperation through a permanent institution which provides the machinery for consultation on international monetary problems.
- (2) To facilitate the expansion and balanced growth of international trade and to contribute in this way to the maintenance of a high level of employment and real income, which must be a primary objective of economic policy.
- (3) To give confidence to member countries by making the Fund's resources available to them under adequate safeguards, thus giving members time to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.
- (4) To promote exchange stability, to maintain orderly exchange arrangements among member countries, and to avoid competitive exchange depreciation.
- (5) To assist in the establishment among member countries of multilateral payments facilities on current transactions and to aid in the elimination of foreign exchange restrictions which hamper the growth of world trade.
- (6) To shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.

The joint statement recommends that all of the United and Associated Nations subscribe approximately \$8 billion to the Fund in the form of gold and local currency. The resources of the Fund would be available under adequate safeguards to help member countries to maintain exchange stability and to correct maladjustments in their balance of payments. Member countries would be able to buy foreign exchange from the Fund with their own currencies, to the extent of their quotas, in order to meet international payments consistent with the purposes of the fund.

The par value of currencies of member countries would be expressed in gold and could be changed only at the request of member countries after consultation and approval of the Fund. The Fund would approve a requested change in parity only if it were essential to correct a fundamental disequilibrium. Prompt consideration would be given to requests for necessary adjustment of exchange rates. Member countries would not allow their exchange rates to fluctuate outside a narrow range based on the agreed gold parity.

Voting power in the Fund would be closely related to quotas. A member country could withdraw from the Fund immediately by giving notice in writing, and obligations would be liquidated within a reasonable time.

During the period of transition following the war, member countries would be permitted to retain their exchange controls with the expectation that these would gradually be relaxed.

I am frank to say that in my opinion the agreement of the technical experts to these principles constitutes a long step on the way toward preventing a breakdown of currencies and the imposition and retention of restrictive and discriminatory exchange measures after the war. Through international cooperation now, we can assure a stable and orderly pattern of post-war exchange rates.

The purposes set forth in this Joint Statement have long been the international monetary policies of the United States. For years it has been our objective to have these policies adopted by other countries. We know of no better way of assuring general adherence to these policies than through international cooperation in an International Monetary Fund.

We believe that it is of the greatest importance that all of the United Nations are in agreement on the best means to deal with these international financial problems after the war. This is concrete evidence that the United Nations can and will work together in establishing a peaceful and prosperous world just as they are now fighting together to destroy tyranny and oppression.

International cooperation on monetary and financial matters is the keystone of successful cooperation on all international economic problems. Unless we agree to expand world trade and develop the world economy, few other economic agreements which we might make will or can be effective.

The tentative proposals that have been under discussion by the technical experts are part of a program for cooperation on international economic problems among the United Nations. The objectives of this program are the expansion and development of international trade, the restoration of international investment for productive purposes, the maintenance of stable and orderly exchanges. Through these means we can contribute to a high level of employment and production. The establishment of an International Monetary Fund and a Bank for Reconstruction and Development are important steps in the attainment of the objectives of this broad program.

I want to emphasize again that the discussions up to now have all been of a technical nature and exploratory in character. Whatever has been done represents the views of the technical experts of this country and of other countries that have been studying these questions. The United States is not in any way committed until Congress has taken action.

It is my hope that after studying the recommendations of the technical experts, the governments of the United Nations will come to the conclusion that there is sufficient basis of agreement at a technical level to warrant the convening of a formal conference.

I am happy to say that the President has authorized me to state that if a conference is held, it is his intention to invite direct congressional participation in the work of the United States Delegation.

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