

3/7/45

HEARINGS ON BRETTON WOODS ENABLING LEGISLATION  
BEFORE HOUSE BANKING AND CURRENCY COMMITTEE  
March 7, 1945 - 10:30 A.M.

Secretary Morgenthau, the first witness to be called before the Committee, read a prepared statement. The Secretary stressed the need for international cooperation to achieve economic security and stability and the fact that the Bretton Woods program is the first important test of our willingness to cooperate. He described the Fund as a means of eliminating the destructive currency practices of the 1930's and the Bank as a means of protecting the investor. He emphasized that the Fund and Bank could offer assistance to weaker nations without subjecting them to the dangers of economic aggression by a single country. The Secretary suggested it was important to avoid the delay that would be caused by attempting to convene another conference.

Chairman Spence (D. Ky.) asked the Secretary several questions the answers to which brought out the great measure of agreement which was reached at Bretton Woods and the spirit of cooperation that prevailed. Chairman Spence agreed heartily with the Secretary.

In answer to a direct question by Representative Patman (D. Tex.) the Secretary said he thought it was important to pass the bill before the San Francisco Conference. This led to a series of questions as to the practical feasibility of passing the bill in such a short time and objections that it was of the utmost importance to study the bill carefully and to hear a number of opposition witnesses. Representatives Crawford (R. Mich.) and Wolcott (R. Mich.) said they believed it would be impossible to pass the bill before the San Francisco Conference and Representative Crawford said he was submitting a list of from 15-25 opposition witnesses. Secretary Morgenthau said he had no intention of suggesting that the bill should not be carefully studied and fully discussed and Chairman Spence assured them that all responsible opposition witnesses would be heard.

Representative Sumner (R. Ill.) suggested that it would mean giving up an important bargaining weapon if we should accept the Bretton Woods program before the San Francisco Conference. Secretary Morgenthau and certain members of the Committee suggested that there was no question of using Bretton Woods as a bargaining weapon, that the important thing was to indicate our willingness to cooperate in a program which could serve the best interests of all the United Nations.

Representative Barry (D. N.Y.) asked if any amendment to the Agreements would necessitate the calling of another conference and Secretary Morgenthau replied that it would. Representative Barry suggested that it was important to study the reservations submitted by foreign representatives at Bretton Woods since they indicated that foreign countries will want to amend the Agreements. The Secretary said he was confident that if we accepted the Agreements in full other countries would not suggest amendments, but if we suggested amendments the whole process of reaching agreement would have to begin all over again. Representative Wolcott agreed with Assistant Secretary of State Acheson that there was little need of detailed study of foreign reservations since the United

States delegation believe that the Agreements as they stand are in our best interests and the reservations refer in general to points we were not willing to accept. Secretary Morgenthau assured Representative Crawford we had made no secret agreements at the Conference and no promises to support the reservations of foreign representatives.

Representative Brown (D. Ga.) asked Secretary Morgenthau about the attitude of the Federal Reserve Board and of the bankers. Secretary Morgenthau replied that the Federal Reserve Board passed a unanimous resolution favoring acceptance of the Bretton Woods program. He said some of the bankers associations are in favor and some opposed and that there were similar differences of opinion among economists. He indicated that several national farm organizations support the program.

Representative Sumner asked if it had not been necessary to raise Russia's quota to persuade her to accept the Fund proposal and if the United States had not increased its subscription to the Fund by 300 million dollars after Russia was given a larger quota. Mr. White explained the fact that it was an increase in Russia's subscription to the Bank which Russia voluntarily accepted at the last minute and that this was not a concession to Russia but a case of Russia being willing to take more of the risks. When Representative Crawford asked if the United States subscription to the Bank had not been raised, Mr. White explained that the United States planned from the beginning to subscribe about one-third of the Bank's capital and there was no last minute increase in our subscription. Representative Wolcott explained that Russia had been granted a larger quota in the Fund in return for concessions on other matters.

Representative Thom (D. O.) asked whether the Bretton Woods program would not prevent a repetition of the bad lending experience of the inter-war period. Secretary Morgenthau mentioned the careful examination of loans under the Bank plan and the more reasonable terms. He suggested that Mr. White would go into the problem more fully and present a record of our lending experience.

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