

3/9/45

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

March 9, 1945 - 10:30 A. M.
(Third day of hearings)

Assistant Secretary of the Treasury White was the only witness before the Committee. He did not have a prepared statement.

Mr. White began by describing the long process of study and discussions which preceded the actual Conference at Bretton Woods. He emphasized the inter-departmental discussions here in Washington, the conferences with interested groups in this country, and the discussions with technical representatives of foreign countries. He also emphasized the fact that members of legislative bodies, economists and bankers, were all present at Bretton Woods. One of the results of the long process of reaching agreement with experts of so many countries is that the final proposals are not exactly as any one delegation would like them to be, but Mr. White said he believed the United States delegation succeeded nine times out of ten in getting acceptance of the sort of provisions it wanted to see in the documents. Mr. White said he believed this was borne out by the close resemblance between the American proposals prior to the Conference and the final agreements reached.

Another point stressed by Mr. White was that the United States had more to gain than any other country from acceptance of the Fund and Bank proposals. Although we will not need to borrow from the Bank or get foreign exchange from the Fund, we have a great interest in seeing that other countries do not revert to the competitive depreciation and economic warfare of the 1930's. Mr. White stressed the fact that the inter-war period was one of economic chaos and said he believed the principal reason why experts of so many countries were able to reach agreement on establishing two powerful institutions with large resources was their realization of the necessity of doing something to prevent a repetition of the experiences of that period.

Mr. White then presented and discussed a series of charts illustrating the monetary and financial difficulties of the 1920's and 1930's.

The first chart showed the number of countries going back on the gold standard each year from 1922 to 1929 and the number abandoning the gold standard from 1929-1936. Mr. White stressed the fact that most countries had a hard time getting back on the gold standard and said it was clear that establishment of the values of currencies in terms of gold was a very necessary and important step. In this connection Mr. White described the difficulties encountered by the United Kingdom from 1925 to 1931 and attributed them in part to the rate chosen in 1925.

The second chart pictured the spread of clearing agreements in Europe in the 1930's and Mr. White described how these agreements worked. Mr. White also explained the variety of mark exchange rates for particular countries and types of transactions.

The third chart showed the changes in amount of world trade and a measure of the extent of depreciation of foreign currencies. Mr. White said that the close correlation between the two was not a result of a causal relationship running in only one direction.

The fourth chart showed that while the percentage change in the United States share of world trade dropped roughly 28 per cent from 1928 to 1934, the share of Belgium, Japan, the Netherlands, Italy and France increased considerably, and Germany's share of total exports increased although her share of imports decreased. Mr. White said this was partly because we did not adopt the sort of policies other countries did.

The fifth chart showed the national income and exports of the United States. Here again Mr. White stressed that the causal relationship ran in both directions. As our national income fell we bought less abroad and foreign countries were able to buy less of our goods. The sixth chart showed the value of United States production and exports of wheat, cotton, tobacco, and lard in the periods 1925-1928 and 1931-1934. In three cases there was not only an absolute drop in exports in the later period but we exported a smaller percentage of total production. Mr. White stressed the fact that although we are not as dependent on exports as many foreign countries, our exports of particular commodities are of tremendous importance to us. When Representative Outland (D. Cal.) suggested that the fall in the prices of our exports was even more serious than the decrease in volume Mr. White agreed and pointed to another chart showing the drop in farm prices during this period.

Mr. White then described the capital structure of the Bank with the help of a chart. He referred back to Representative Crawford's (R. Mich.) question on March 7 as to whether the United States subscription to the Bank had been increased toward the end of the Conference. Mr. White explained that the original idea was to have all countries subscribe as much to the Bank as to the Fund. When Russia insisted it could not afford to take such a large share of the risks of the Bank because of the devastation it had suffered in this war the United States agreed to increase its subscription by \$300 million to bring the total up to \$8.8 billion. When Russia agreed at the last minute to increasing its subscription by \$300 million the total was raised to \$9.1 billion.

Mr. White began to discuss the Bank's lending operations with the help of a chart. Mr. White mentioned that the Bank's loans and guarantees would be for specific projects except in special cases. He suggested that the exception for special cases was intended to enable the Bank to lend to a member when the Fund decided that that member could not continue to draw on the Fund because it would not be able to relieve the Fund of its currency in a reasonable period of time.

The Committee then adjourned until Monday. Before adjournment Representative Brown (D. Ga.) asked Mr. White why our exports of wheat and cotton declined so drastically in the 1930's. Mr. White said it was partly because of the economic warfare and partly because foreign countries had less foreign exchange but stressed the fact that there were a great many other factors to be considered.

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