

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

March 20, 1945 - 10:30 A.M.

(Tenth day of hearings)

Questioning of Assistant Secretary of State Acheson was resumed. Representative Outland (D. Cal.) asked whether the United States delegation at Bretton Woods was not primarily interested in protecting American interests, whether the entire delegation was not consulted on every position, and whether the entire delegation, including Congressional members, was not satisfied with the Agreements framed by the Conference. Mr. Acheson replied in the affirmative to the first two points and said that, as he interpreted the reaction of the delegation members, all were satisfied with the results of the Conference. Mr. Outland deprecated any suggestion that we should attempt to use the Bretton Woods Agreements as bargaining weapons for securing agreement on other subjects and the Assistant Secretary agreed. Quoting from the American Bankers' Association report the statement that the Fund "introduces a method of lending which is novel and contrary to accepted credit principles," Mr. Outland asked if there was any reason why new measures should not be tried -- was not one foundation of private enterprise a willingness to attempt novel methods. Mr. Acheson agreed, but added that the Bretton Woods program was novel only in that it provided for the cooperation of a large number of nations in its lending operations. Mr. Outland invited comment on the contention that the Bank could carry out the functions of the Fund. Mr. Acheson stated that two agencies were preferable because of the specialized nature of the two jobs to be done and the different type of training required for each. He said he considered the Fund Agreement to be the heart of the financial arrangements proposed in that it pledged member countries to discard certain disruptive monetary policies and provided a mechanism which would aid them to do so. He thought that the bankers' point of view was unrealistic in assuming that foreign nations would come "hat in hand" begging for loans and would accept any internal reorganization demanded of them. Rather they would return to measures of economic warfare and attempt to solve their problems independently. Exchanges between Mr. Outland and Mr. Acheson revealed the latter's opinion that any major changes in the Bretton Woods Agreements would cause great delay in attaining any international monetary agreement and that other nations were awaiting United States action as a token of our attitude on all types of international cooperation, political and economic. Mr. Acheson agreed with the Representative that the Bretton Woods program would lessen the necessity for Lend-Lease or other loans by this government.

Representative Kilburn (R. N.Y.) asked whether other countries were waiting for United States action because we have the best money, the most money, and are regarded as the Santa Claus of the scheme. Mr. Acheson said that was not the attitude of the other countries. The United States had taken the lead in the entire procedure of negotiation and other nations felt that if we did not now carry through there was little hope for general adoption of the proposals. Mr. Kilburn stated that he believed there was a sincere difference of opinion among technical experts as to whether or not the Bretton Woods program would accomplish the desired end. Mr. Acheson suggested that technical questions not be permitted to conceal the simple principles of the Fund which were that nations should seek the greatest possible currency stability and should agree to abandon unfair monetary practices. The Fund does not secure complete stability but it goes as far as possible under the conditions of 1945.

Representative Talle (R. Iowa) asked whether the managing personnel of the Fund and Bank would be drawn from the ranks of bankers. Mr. Acheson said he did not know. Mr. Talle said that he had not understood that the signing of the Bretton Woods Agreements by Secretary Morgenthau had committed the Committee in any way and Mr. Acheson agreed that it had not.

At this point Ass't. Secretary of State Clayton replaced Mr. Acheson as the witness. He had no prepared statement and disclaimed intimate knowledge of the details of the Agreements. From his business experience he knew that currency manipulation was highly destructive to international trade and he favored acceptance of the Bretton Woods program. An expanding world economy would be very helpful for American prosperity and employment and, he believed, the Fund and Bank, under competent management, would contribute to such expansion.

Representative Wolcott (R. Mich.) suggested that the management of the Fund might regulate United States imports and exports through manipulation of currencies. Mr. Clayton replied that the Fund had no power to regulate trade but would create conditions which should increase both our exports and our imports. He could not give a direct answer to the question as to how the Fund might aid exports of any single commodity (e.g., cotton) for the Fund's influence would be directed to improving the general trade picture only, and the effect upon specific products could not be calculated. In answer to Mr. Wolcott and Representative Kunkel (R. Pa.) Mr. Clayton stated that the Fund would have no authority to interfere with the tariff policy of the United States.

Mr. Wolcott asked whether a general international trade policy conference was to be called. Mr. Clayton said none had been scheduled but such a conference had been discussed. Mr. Wolcott suggested that acceptance of the Bretton Woods plans might be unwise until more was known about general commercial policy agreements. Mr. Clayton admitted that a close relationship existed between trade policy and monetary policy but pointed out that a start must be made on one aspect or the other and that since the Bretton Woods Agreements were ready they should be approved so that the field would be clear for discussions of other problems.

Representative Brown (D. Ga.) asked whether the Fund and Bank would assist the sale of United States surpluses abroad. Mr. Clayton suggested that this might be an indirect effect of the general increase in world trade which the agencies should stimulate. Representative Folger (D. N.C.) asked whether the United States did not occupy the most influential position of any country in the realm of international monetary policy. Mr. Clayton said we occupied a controlling position. He then digressed to discuss the respect most nations have for their international obligations. He stated that evidence of the financial integrity of most nations was found in the fact that every loan made by the Export-Import Bank to Latin American countries has been serviced on schedule and that none are in default. He described the obligation of every member to maintain the full value of its currency contribution to the Fund and the Bank in case depreciation of the par value should become necessary and expressed the opinion that any defaults which might conceivably occur would not constitute an important factor in the total operations of the agencies.

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