

SENATE DEBATE ON  
BRETTON WOODS ENABLING LEGISLATION  
July 19, 1945

Senator Thomas' (D. Okla.) amendment to establish a unit of account to be known as the gold ounce was rejected. He then proposed an amendment to provide for use of silver as part of our subscription to the Fund and Bank but withdrew it after Senator Murdock (D. Utah) explained that the Treasury and the President have approved a proposal to monetize 300 million ounces of silver at \$1.29 an ounce.

Senator Taft (R. Ohio) then proposed an amendment to the effect that no member would be entitled to use the Fund until it has removed all exchange restrictions on current transactions. There was considerable debate. He said it was aimed chiefly at the British Empire and that it was foolish to put money into the Fund and Bank if restrictions are to be maintained for five years. Senator Barkley (D. Ky.) contended that the effect of the amendment would be to kill the bill since it would necessitate calling another conference. Senator Barkley also stated that the pre-war sterling area arrangements would not be inconsistent with the Fund and Senator Tobey (R. N.H.) pointed out that Britain was obligated under the Fund Agreement to withdraw all restrictions as soon as possible. Senator Barkley argued that Britain could not possibly liquidate all the blocked sterling balances for some time but that about \$2 billion of the \$16 billion total would be kept anyway as currency reserves and some would probably be written off. A dollar loan to help Britain liquidate her sterling debt would not do much good.

Senator Wiley (R. Wis.) said he would vote for the Agreements but said he thought we should not make funds available through institutions we do not control, that we are giving too much attention to expanding our foreign trade which has never amounted to more than 5 per cent of our national income, and that there was a lot of talk about the Reciprocal Trade Agreements but none about our two price policy for cotton. Senator Robertson (R. Wyo.) also objected to our money being handled by borrowers and thought all our loans should be through the Export-Import Bank. Senator Wherry (R. Nebr.) argued that we are repeating our lending mistakes after the last war. Senator Taft presented a number of tables giving data on our past lending experience and foreign defaults.

Senator Tunnell (D. Del.) supported the Agreements as a necessary step in a broad program of international action and both he and Senator Lucas (D. Ill.) favored the Agreements because Britain would be obligated to remove restrictions as soon as possible. Senator Willis (R. Ind.) said Bretton Woods should not be measured wholly by standards applied to cold business operations and he and Senator Morse (R. Ore.) agreed the plans were a good beginning toward achieving peace.

Senator Ball (R. Minn.) suggested an alternative amendment to direct our governor to submit an amendment to the governors of the Fund saying that after 3 or 5 years there should be a limitation on the use of the Fund by members who at that time still maintained exchange restrictions on current transactions. Senator Wagner (D. N.Y.) argued that the Fund can

suspend a member which maintains restrictions contrary to the purposes of the Fund and that the proposed amendment would require calling another conference. Senator Taft then modified his amendment to exclude exchange restrictions approved by the Fund. Senator Taft's amendment was rejected by a vote of 53 to 23.

Senator Millikin (R. Col.) then proposed two amendments which were rejected. One provided the scarce currency provisions should not be invoked to excuse failure to comply with any other agreements and one provided for complete elimination of the scarce currency provisions. Senator Langer (R. N.D.) proposed an amendment to prevent our acceptance of the Agreements until they are both amended to prevent loans for armament purposes. This amendment was rejected.

Senator Taft then proposed to refer the bill back to Committee and instruct the Committee to reject the International Bank. Senator Taft spoke at length on our present commitments under UNRRA and Lend-Lease, the \$2.8 billion increase in the Export-Import Bank's lending authority which Mr. Crowley said he expected to use in one year, and the \$2.75 billion in the Fund, and proposed direct loans to Britain or Russia. He said the program of foreign lending was going to wreck the country and would never be paid back. The proposal was rejected.

Senator Ball then introduced an amendment directing the United States governor of the Fund to propose promptly and support an amendment to the effect that a member's right to use the Fund be suspended or limited if it maintains exchange restrictions on current transactions three years after the Fund has been in operation. Senator Ball thought this would prevent any possible abuses. He said the Bretton Woods plans are not designed to solve the transition problems any more than the San Francisco Charter makes the peace settlement. He believed, therefore, that there was no great need of immediate action. He disagreed with Senator Taft's contention that the purpose of the Fund is to stabilize currencies within the various countries and said it was clearly to promote exchange stability. He also disagreed with Senator Taft's assumption that the majority of the voting stock of the Fund and Bank would be held by nations with no fundamental interest in seeing them operate on a conservative basis.

Senator Barkley said the amendment would not add to the power of our governor who can suggest amendments at the end of 6 months anyway and would in fact force him to suggest an amendment which might turn out to be unnecessary. He said the House would clearly not accept this amendment in short order although it would accept the Senate Committee amendments. Therefore acceptance of Senator Ball's amendment would be disastrous at this time. Senator Vandenberg (R. Mich.) said he did not think Senator Ball's amendment would interfere with the successful launching of the Fund and that he would support it. Senator Ball's amendment was rejected by a vote of 46 to 29.

A vote was then taken on the bill as amended by the Senate Committee and the bill was accepted by a vote of 61 to 16.

Note -- Bretton Woods Passed by the House

On July 20, 1945, the House of Representatives approved without any debate or vote the bill approved by the Senate.

Note -- Export-Import Bank Bill Passed by Senate

The Export-Import Bank Bill as passed by the House was accepted by the Senate on July 20, 1945, without amendment. No vote was taken.

Board of Governors  
of the Federal Reserve System  
Division of Research and Statistics  
July 20, 1945