Charts Relating to ....

THE BRETTON WOODS PROPOSALS

The danger that restrictive and discriminatory currency practices will be resumed and intensified after the war makes international monetary cooperation essential.

UNITED STATES TREASURY

APRIL 30, 1945

REPRESENTATIVES of forty-four United Nations met at Bretton Woods, New Hampshire, last summer to consider means for dealing with post-war international monetary and financial problems. Out of this conference came proposals for an International Fund and an International Bank, now being considered by the United States Congress and by other governments all over the world.

The charts included in this booklet help to explain the organization and operation of the proposed Fund and Bank. They also call attention to the distorting forces of the inter-war period that make necessary a cooperative approach to the solution of international monetary and economic problems.

These charts were designed originally by members of the Treasury staff to aid in the presentation of the Bretton Woods proposals to the Congressional Committees on Banking and Currency. The demand for copies has been so great that a limited printing in reduced dimensions appeared desirable.

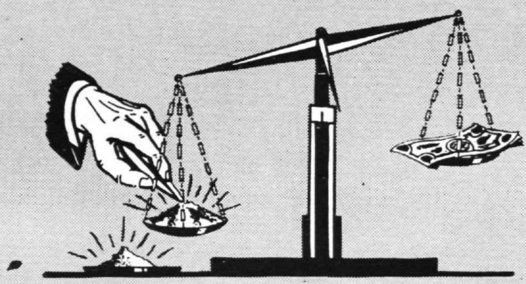
HENRY MORGENTHAU, JR.
Secretary of the Treasury.

Chart I.—Depreciation of Currencies

At the end of the first World War, nearly all leading currencies except the dollar were depreciated in terms of gold. During the 1920's, a number of countries succeeded in returning their currencies to the 1914 gold parity. These included Canada, England, Argentina, and Japan. Italy and France stabilized their currencies at a level much below their pre-war parity.

In stabilizing currencies in the 1920's, it was pretty much a matter of each country for itself. In some cases there were stabilization loans. But countries did not agree to consult in establishing the parities of their currencies nor to cooperate in maintaining them. As a consequence, some currencies, such as the British pound, were overvalued, and others, such as the French franc, were undervalued.

Nearly a decade was needed to bring about general currency stabilization. But the period of stabilization hardly lasted more than a year or two. When the depression began, some countries immediately felt the effect of shrinking export markets and declining raw materials prices. Because there was no means of assuring orderly exchange arrangements through international cooperation, there followed a decade marked by competitive currency depreciation and widespread exchange restrictions.



Depreciation of the Currencies of Seven Selected Countries

As Percentages of 1914 Gold Values

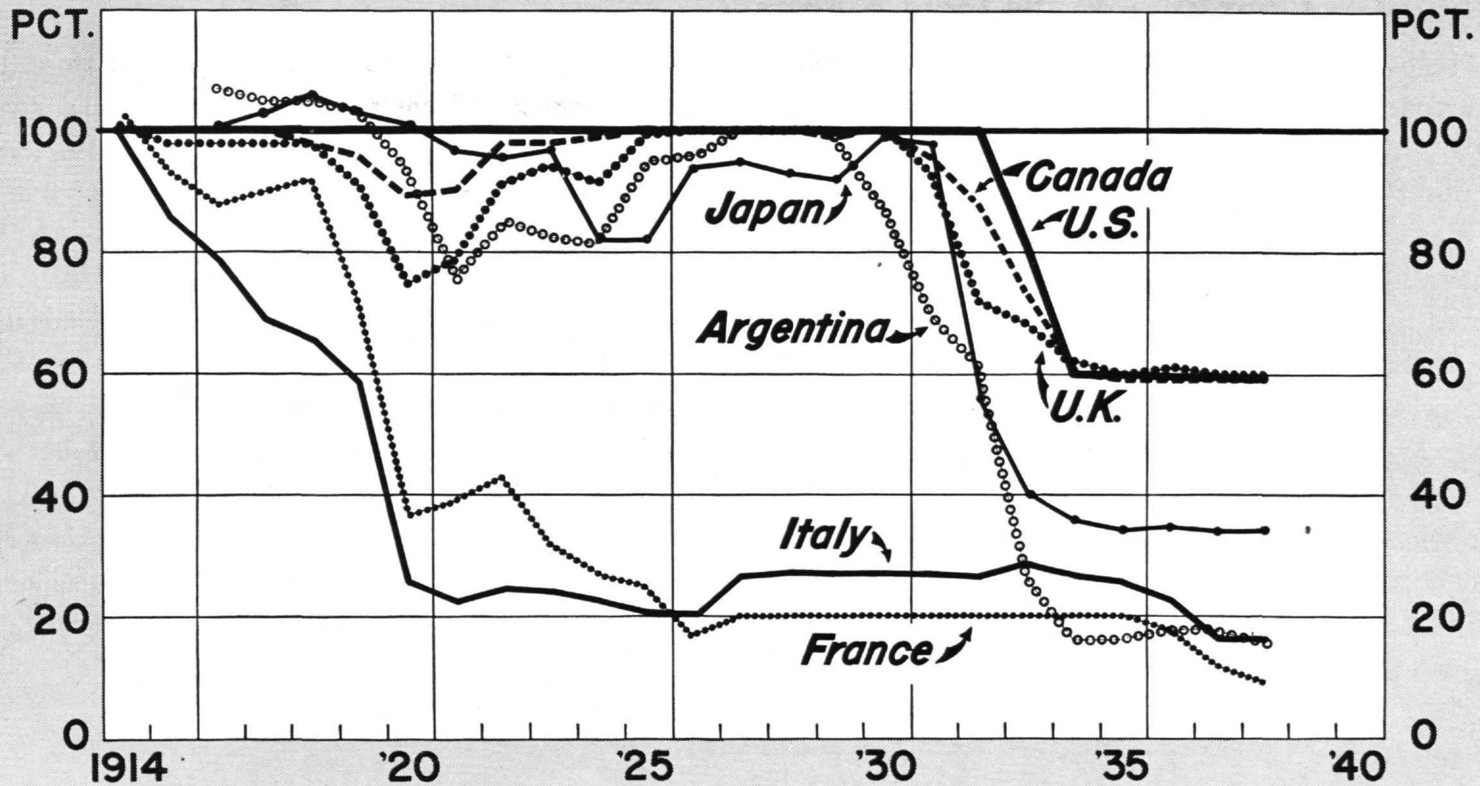


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Chart II.—Countries on the Gold Standard

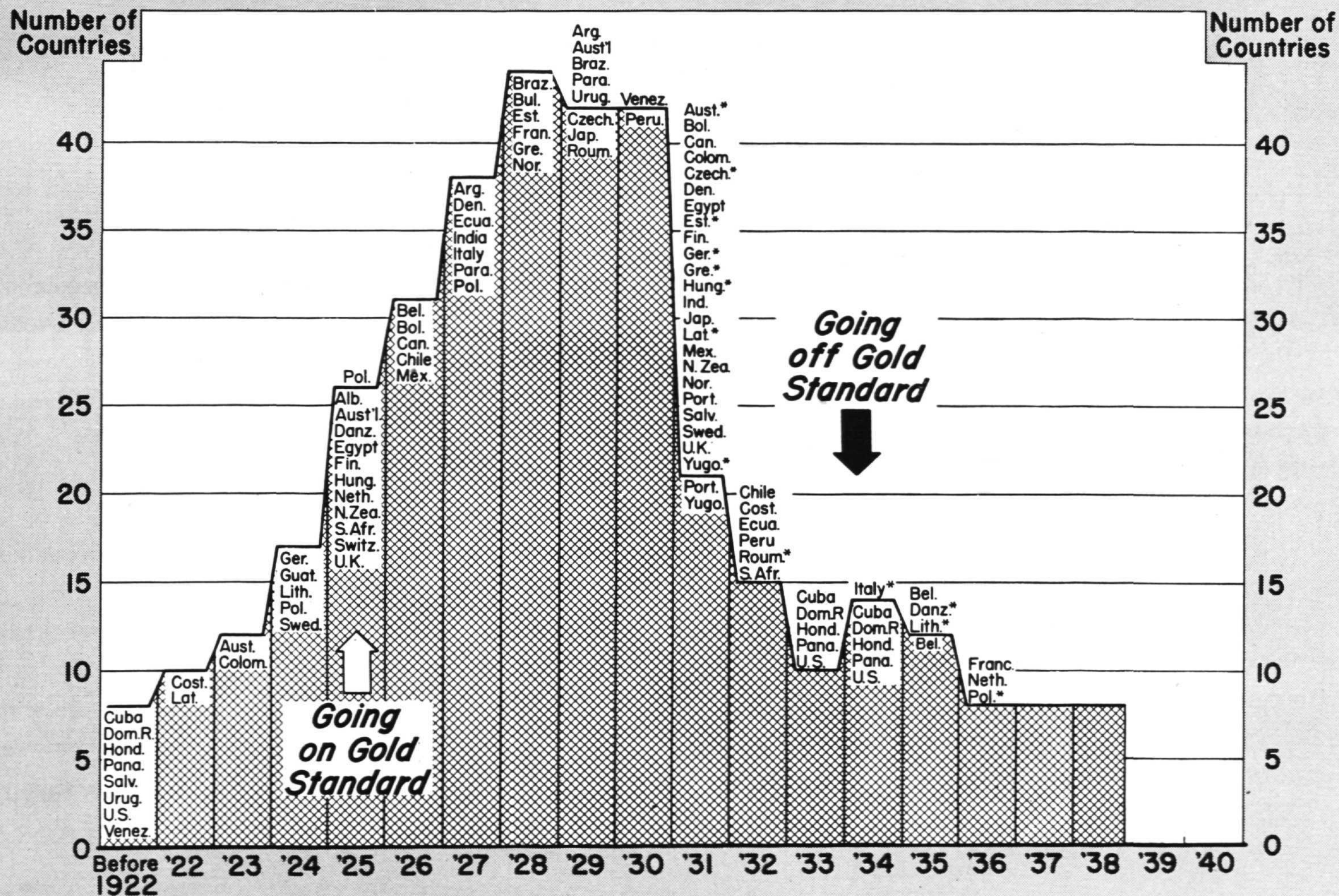
The period of the 1920's was one of slow stabilization, each country acting by itself in returning to gold. In 1922, only 8 countries were on the gold standard. By 1928, 44 countries were on gold.

When the pressure began in 1929, 5 countries, Australia and four Latin American Republics, abandoned gold. In 1931, 20 countries, including England and the rest of the British Empire, most of Europe and Latin America, and Japan, went off the gold standard. The United States went off gold in 1933 and with it the remaining Latin American Republics. In 1936, France and the so-called gold bloc finally went off gold. By 1938, only 8 countries were on gold, and most of these were countries using the dollar as currency.

When most countries went off the gold standard, they depreciated their currencies. In some cases, this merely corrected an overvaluation. In other cases, there was deliberate undervaluation, that is, competitive depreciation, to gain advantages in the export markets. Other countries imposed exchange controls, which limited the use of their currencies in buying import goods and in making other payments abroad. In some cases, funds received for exports and as income from investments were blocked.

When pressures on exchanges develop, individual countries are helpless to prevent monetary disorders and restrictions. When the Fund is established, these same problems will be dealt with cooperatively.

COUNTRIES ON THE GOLD STANDARD, 1921-1938



*Established exchange restrictions

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Chart III.—Bilateral Clearing Agreements

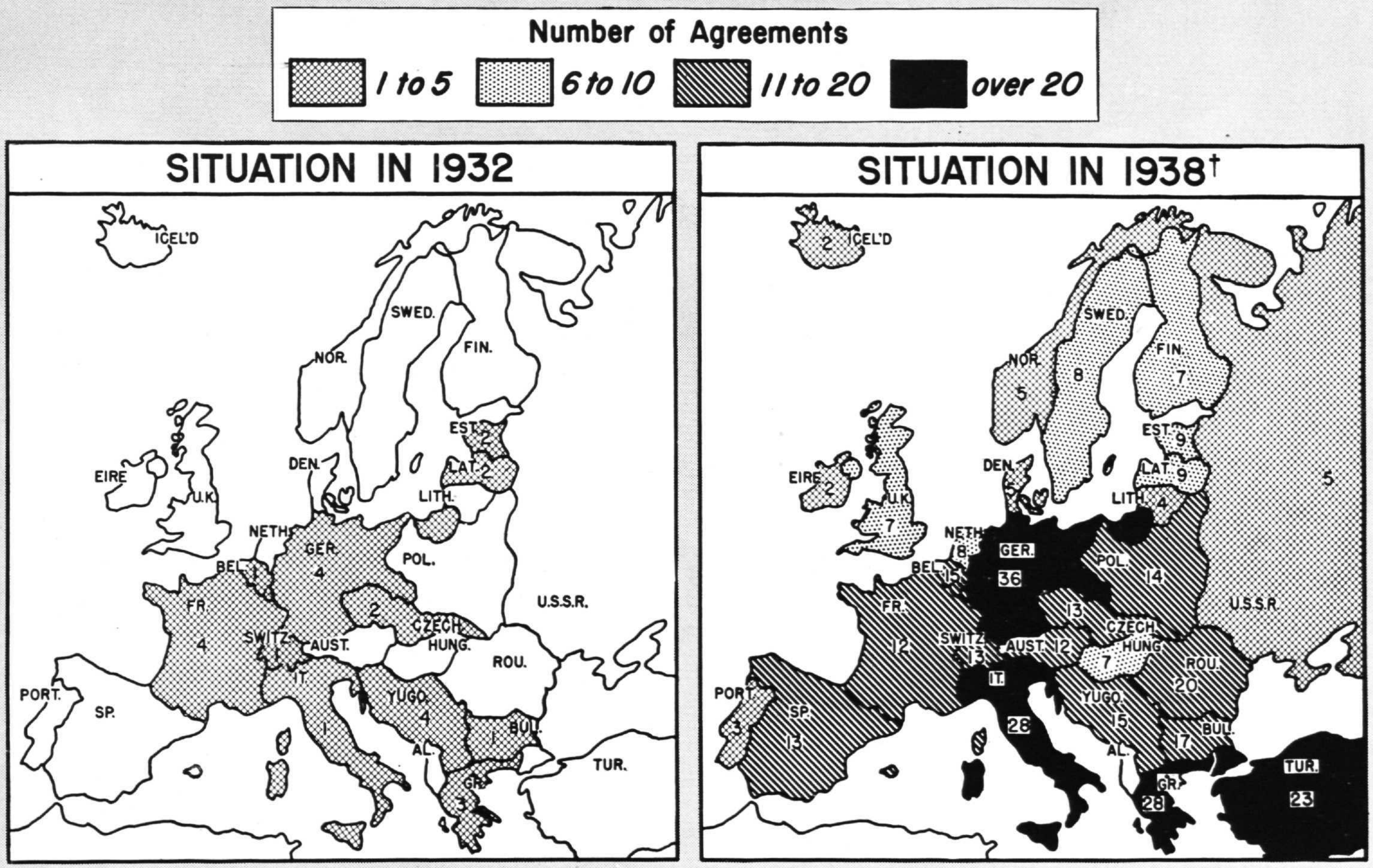
One significant development of the inter-war period was the widespread use of bilateral clearing agreements. Under such an agreement, a country's exports are paid for only as it imports commodities from the other country. It may be forced to take whatever imports it can get in order to assure full settlement with its own exporters.

In 1932, only a few countries had bilateral clearing agreements. Most of them felt that to secure payment from Germany for their exports or for their investments they had to make clearing arrangements. But the use of this device by Germany to expand her exports forced it on all of Europe and even on some countries in the Western Hemisphere. By 1938, Germany had 36 bilateral clearing agreements, Italy had 28, Greece 28, Turkey 23, and other countries had varying numbers.

Bilateral clearing agreements restrict world trade and force trade into uneconomic channels. They permit strong countries to exploit the smaller countries with which they trade. The experience of the 1930's showed how bilateral clearing agreements could be used as an instrument of economic warfare.

Under the Fund, discriminatory currency practices have to be removed progressively. Specifically, after the period of post-war transition, countries may not impose restrictions on payments for exports, income from investments, and other current transactions.

The Increase Of Clearing Agreements* In Europe



*Includes payment agreements †As of January 1938

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Chart IV.—World Trade and Exchange Depreciation

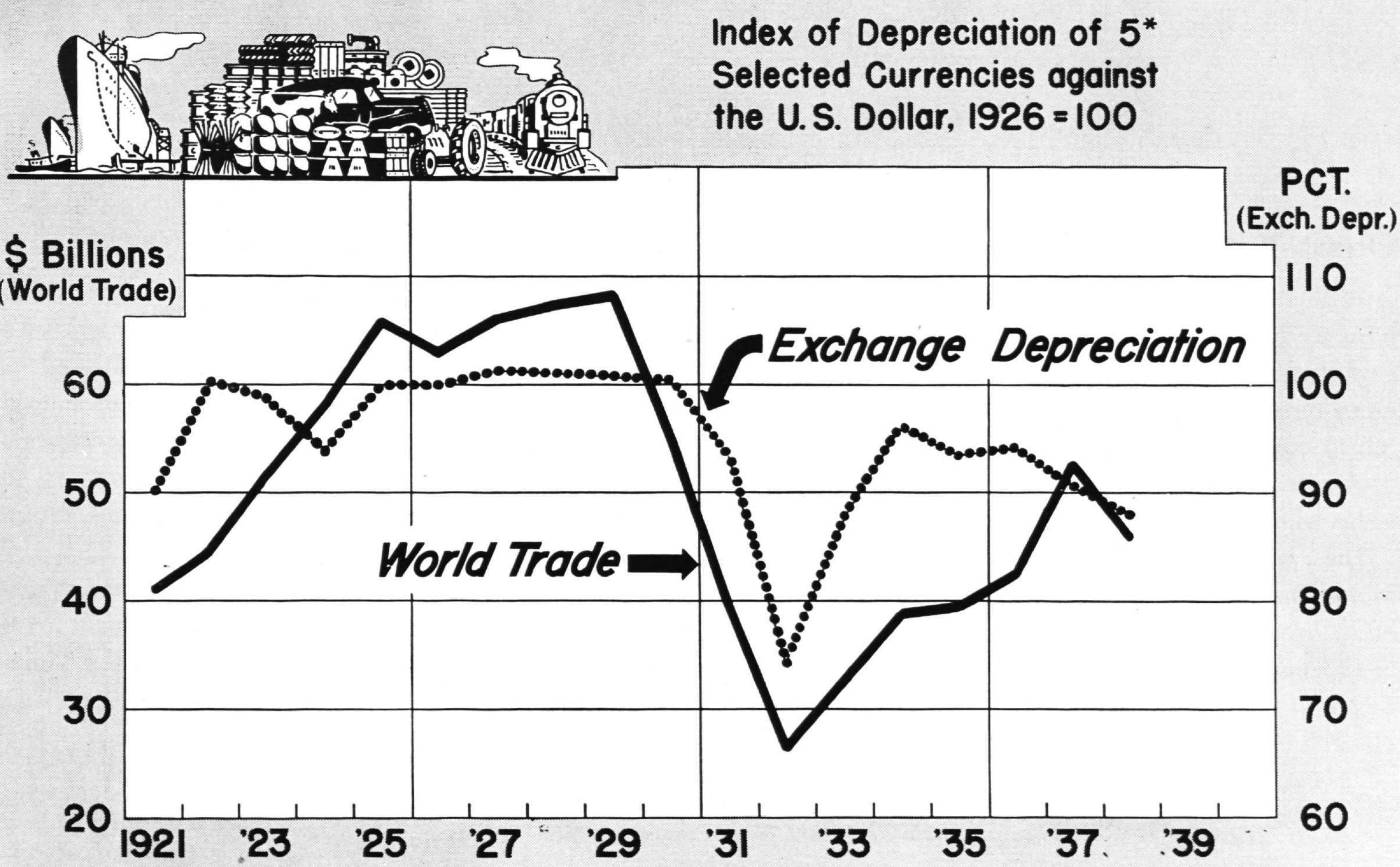
The restrictive and discriminatory practices that came to be widely used during the great depression intensified the effects of the depression in reducing the volume of world trade.

The total of exports and imports for all countries, which reached more than $65 billion in 1929, fell to $26 billion in 1932. Even when recovery began, and production in nearly all countries had reached a higher level than in the 1920's, world trade was still far below the previous levels. Only once in the 1930's, and that was in 1937, did it go beyond $50 billion, and for the greater part of the 1930's was $45 billion or less.

An important factor in the failure of world trade to recover to the levels of the 1920's was the widespread use of competitive exchange depreciation, multiple currency devices and other types of currency discrimination, and bilateral clearing agreements, exchange controls, and other restrictive exchange measures. Unless these practices are eliminated, the volume of world trade will continue at a stagnation level and the United States and other countries will lose the great advantages of expanding international trade.

The Fund is intended to help remove these restrictive and discriminatory practices as soon as possible. Some countries may have to continue wartime controls until they reestablish their normal trade relations. But the Fund can require countries to remove any control that in its opinion is no longer necessary.

World Trade and Exchange Depreciation



*U.K., France, Canada, Argentina and Japan

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Chart V.—United States Exports and Exchange Depreciation

With the general decline of world trade, the foreign trade of the United States, and particularly its exports, fell to an exceptionally low level. From more than $5 billion in 1928 and 1929, our exports fell to only $1,500 million in 1932. This represents a reduction of more than 70 percent in the dollar value of our exports.

The world-wide depression was one important factor in the reduction of our export trade. The other great cause was the competitive depreciation of currencies abroad, the use of multiple currency devices, and the imposition of exchange controls and clearing agreements which cut us out of markets where we had customarily traded. In many instances, these devices were specifically intended to interfere with our trade.

With the adjustment in the foreign exchange value of the dollar, and with the world-wide recovery in business, our exports again rose. But even in the best year, in 1937, our exports were only slightly more than $3 billion.

The restrictive and discriminatory currency practices of the 1930's had a stifling effect on world trade, and especially on the foreign trade of the United States. We do not want to use these devices. The Fund will help prevent their use by other countries.

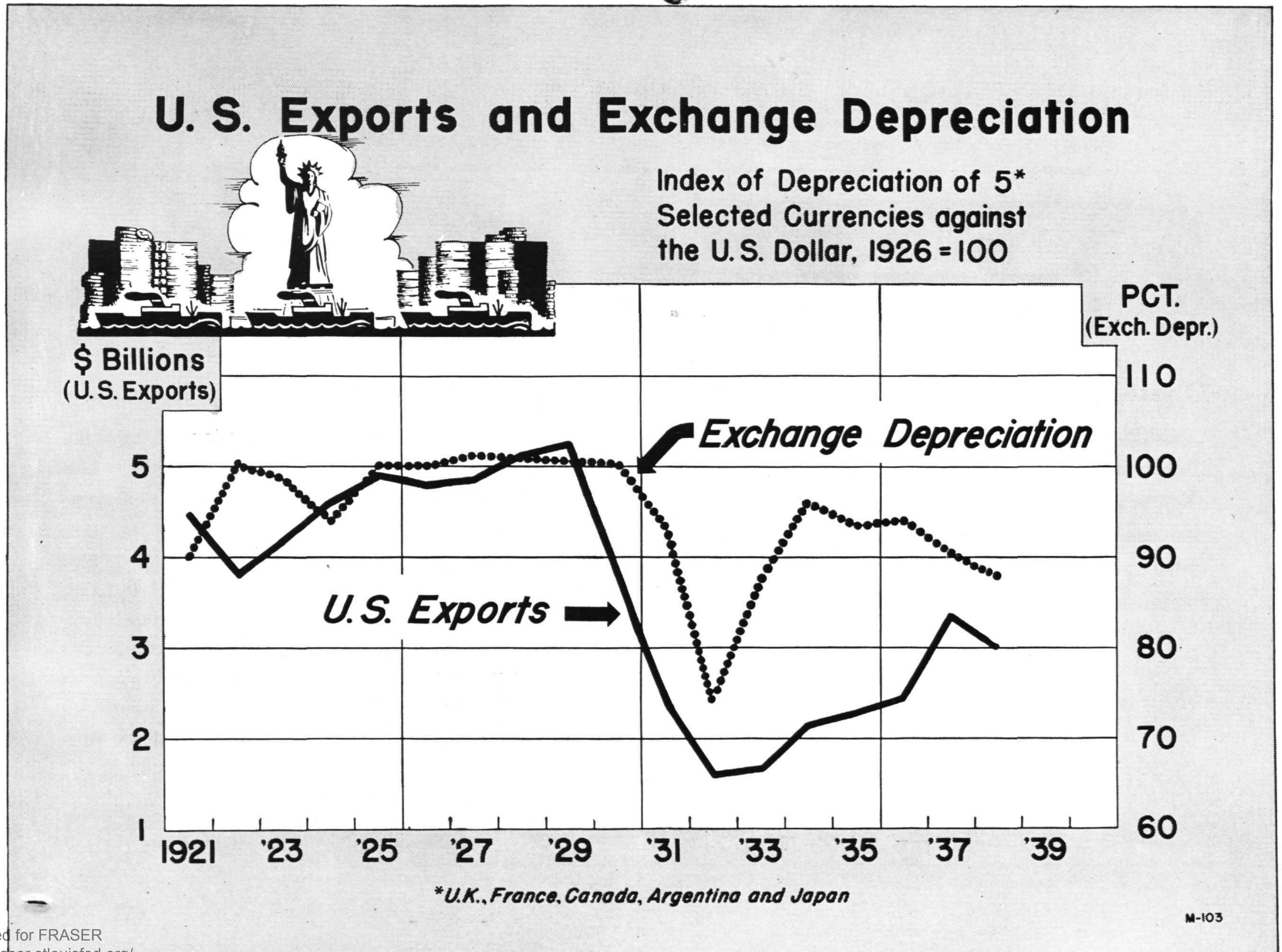
U. S. Exports and Exchange Depreciation
Index of Depreciation of 5* Selected Currencies against the U.S. Dollar, 1926 = 100
PCT. (Exch. Depr.)
$ Billions (U.S. Exports)
Exchange Depreciation
U.S. Exports
5
4
3
2
1
110
100
90
80
70
60
1921
'23
'25
'27
'29
'31
'33
'35
'37
'39
*U.K., France, Canada, Argentina and Japan
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Chart VI.—Percentage Change in Share of World Trade

World trade fell from more than $65 billion in 1929 to only $26 billion in 1932. All countries were affected, particularly those that did not make extensive use of competitive exchange depreciation and restrictive and discriminatory currency arrangements.

Of the great trading countries, the United States had the largest absolute and proportionate reduction in foreign trade. Its share of world exports in 1934, after recovery from depression had begun, was 26 percent less than its 1928. Canada had the second largest proportionate reduction of exports. Its share fell by 14 percent from 1928 to 1934. The United Kingdom experienced a reduction of 3 percent.

It is worth noting that the share of both Italy and Japan in world exports was larger in 1934 than in 1928—Italy by 4 percent, Japan by 25 percent.

Obviously, countries cannot always retain the same proportion of world trade. But changes in the distribution of world trade among countries should be responsive to the development of productive efficiency and not to restrictive controls.

PERCENTAGE CHANGE IN SHARE OF WORLD TRADE, 1928 to 1934

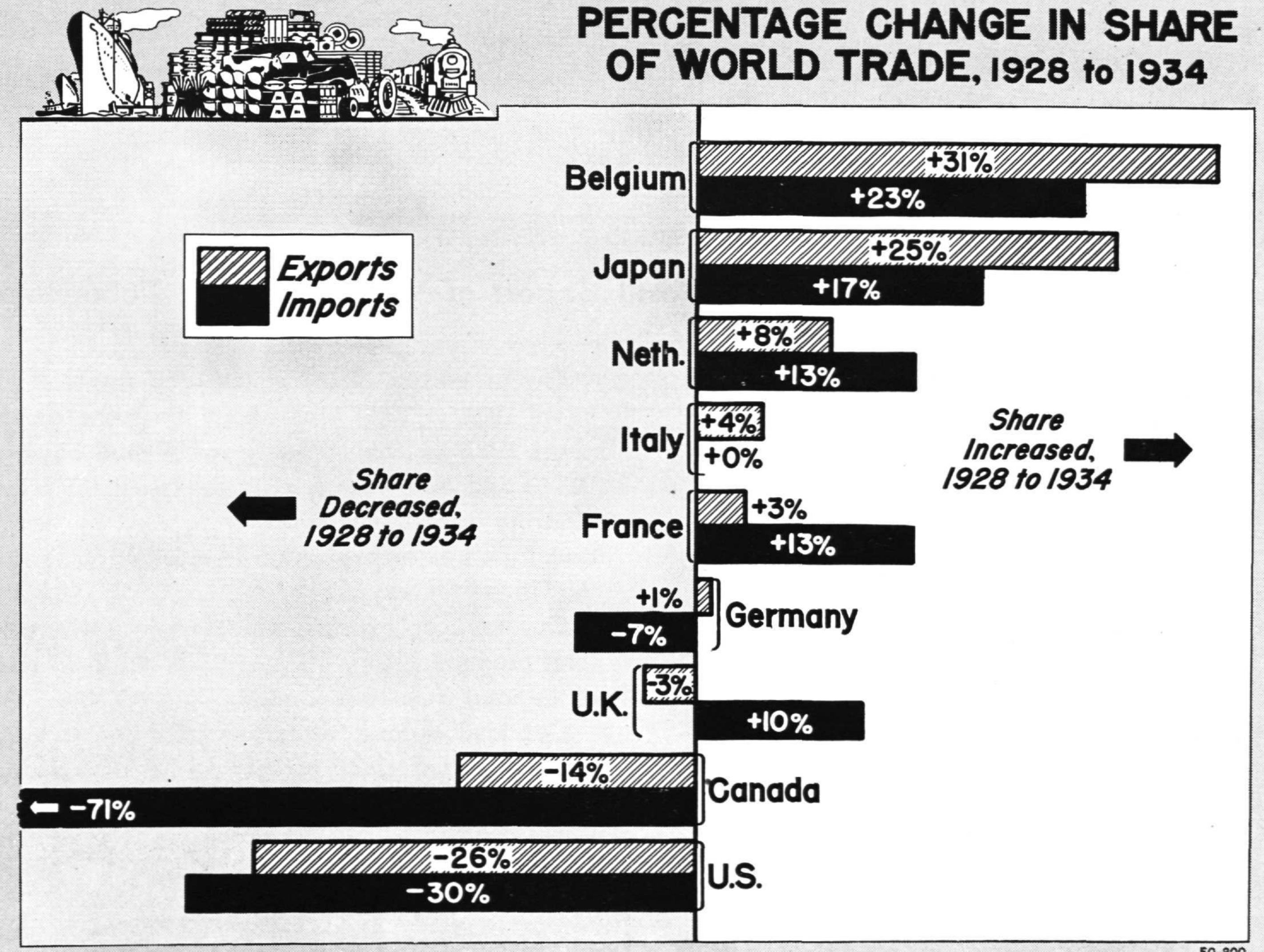


Chart VII.—United States Production and Export of Wheat, Cotton, Tobacco, and Lard

The effect of reduced exports from this country was felt in both industry and agriculture. Many of our heavy industries, such as the automobile and machinery industries, found their exports reduced by as much as 80 or 90 percent.

The agricultural crops that depended largely on foreign markets were especially hard hit. While 21 percent of the wheat crop worth $1,100 million was exported on the average in each year from 1925 to 1928, only 8 percent of a much smaller output, worth less than $500 million, was exported annually from the years 1931 to 1934.

The proportion of the cotton crop exported in the years 1931 to 1934 was about the same as in the years 1925 to 1928. The great decline came after 1934, and this was in part the result of bilateral clearing agreements which were used by Germany and Japan to secure cotton from other sources than the United States.

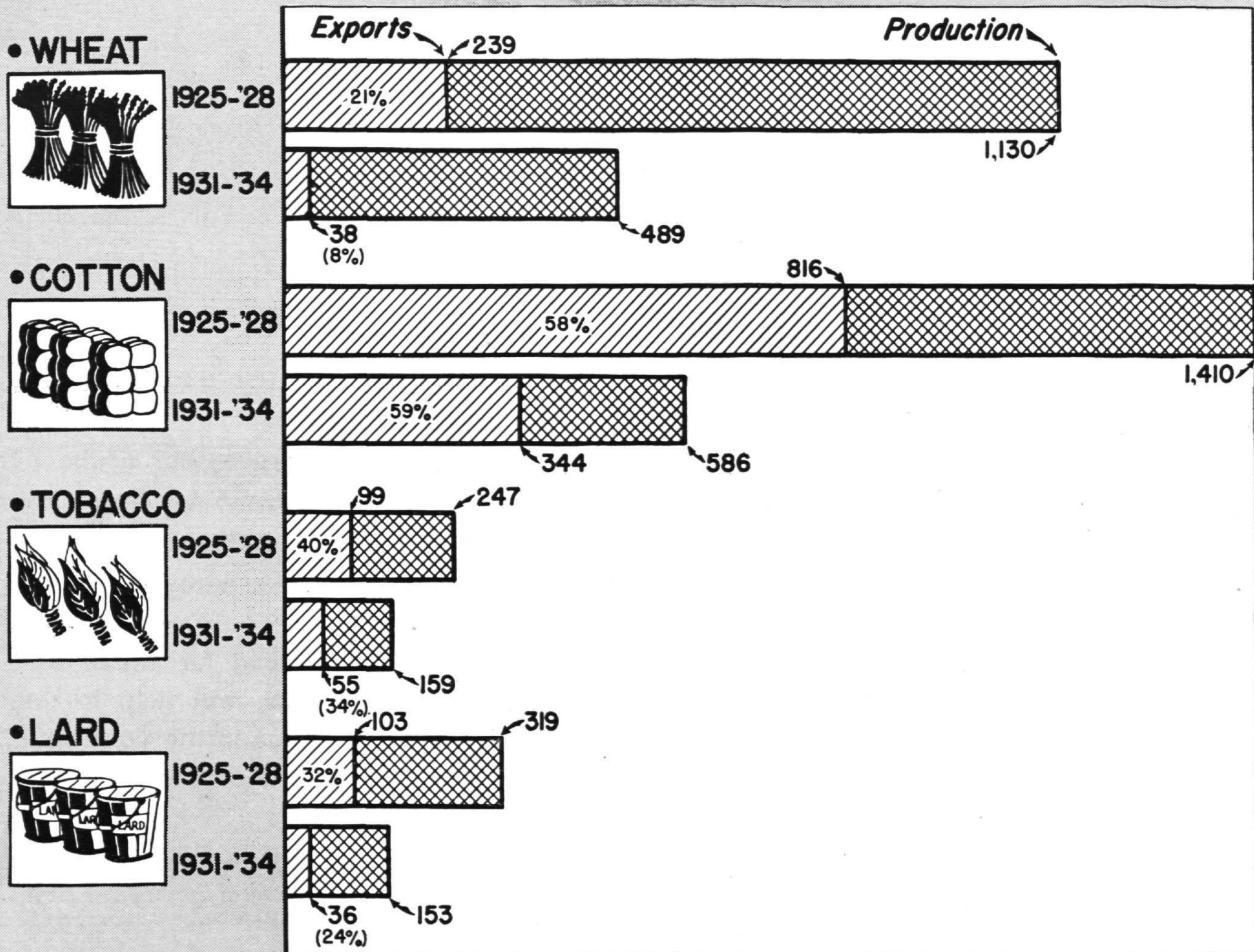
Our tobacco exports, which were 40 percent of total production from 1925 to 1928, fell to 34 percent of the total from 1931 to 1934.

Our lard exports, which were 32 percent of total production, fell to 22 percent of the total from 1931 to 1934.

U.S. Production and Export of Wheat, Cotton, Tobacco and Lard

Annual Average 1925-'28 and 1931-'34

(MILLIONS OF DOLLARS)



M-100

Chart VIII.—Farm Prices and Exchange Depreciation

One significant effect of exchange depreciation in the 1930's was reduced prices of farm products.

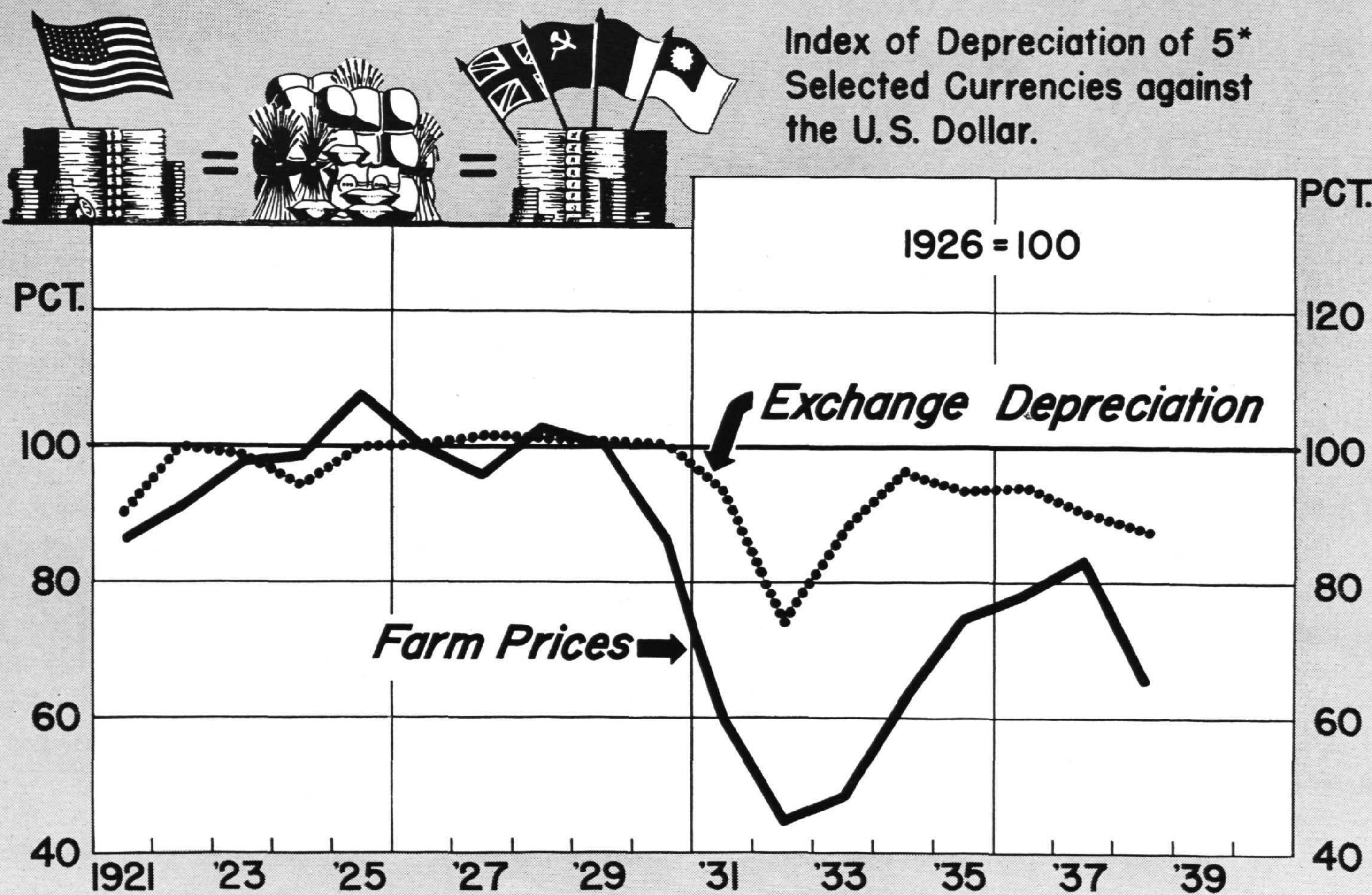
American farm products that are sold abroad must compete with the farm products from other countries. When other exporting countries depreciate their currencies, American farm products become more expensive in the world markets and their continued export is possible only if dollar prices are reduced.

This is also true to some extent when exchange depreciation takes place in the countries importing agricultural products. Unless prices in terms of dollars are reduced, smaller quantities of our farm products will be exported.

The decline in farm prices during the 1930's was of course affected by exchange depreciation. The rise in farm prices after 1933 resulted partly from recovery in business, crop control, and the revision of exchange rates.

The Fund, by providing for stable and orderly exchange arrangements, will help to remove one important factor that has in the past contributed to instability in the prices of our export crops.

U.S. Farm Prices and Exchange Depreciation



*U.K., France, Canada, Argentina and Japan

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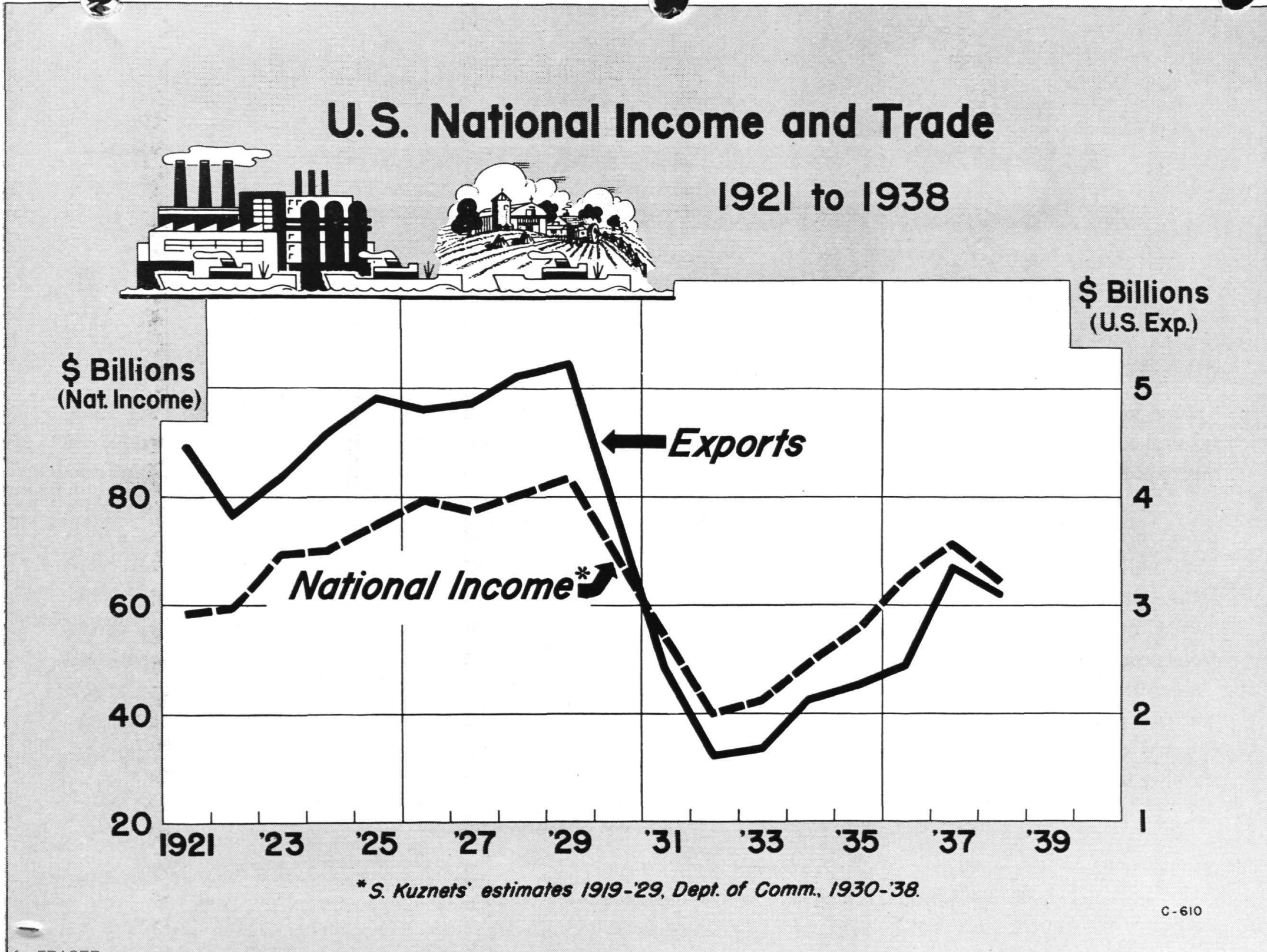
Chart IX.—United States National Income and Exports

The great decline in national income which took place from 1929 to 1932 was primarily a reflection of the severe depression of business in this country and the accompanying fall in prices and wages.

This decline in national income was intensified to a considerable extent by the sharp decline in our exports. From more than $5 billion in 1929 our exports fell to a little more than $1½ billion in 1932. A decline in exports not only means unemployment in the export industries but a reduced demand by workers and farmers for all the products of American industry and agriculture.

Even after recovery set in, exports did not expand as fast as the national income. The lag in exports is one of the reasons why full recovery was not achieved until after the outbreak of war.

One of the purposes of the Fund is to provide an environment of stability and order in the exchanges which will facilitate the expansion and growth of international trade. We can be sure that if world trade expands, our exports and imports will both increase. The effect will be felt in expanded employment and greater consumption in this country.



U.S. National Income and Trade
1921 to 1938
$ Billions
(Nat. Income)
$ Billions
(U.S. Exp.)
Exports
National Income*
80
60
40
20
5
4
3
2
1
1921
'23
'25
'27
'29
'31
'33
'35
'37
'39
*S. Kuznets' estimates 1919-'29, Dept. of Comm., 1930-'38.
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Chart X.—U. S. Trade by Countries, 1937

The foreign trade of the United States extends throughout the world. In 1937, about 16 percent of our exports went to the United Kingdom and about 15 percent to Canada. The rest was distributed over many countries in amounts ranging up to nearly $300 million. Similarly, our imports are even more widely distributed, with the largest amount coming from Canada and large amounts from many other countries.

Because our trade is so extensive, and in view of the fact that exports to and imports from any one country are seldom if ever in balance, exchange stability is of special importance to the United States. To achieve exchange stability will require the cooperation of all countries engaged in foreign trade. It will also require the elimination of bilateral clearing arrangements and similar discriminatory and restrictive practices.

The greatest trade of the United States is with Canada and England—the great industrial countries with high standards of living. Our trade will benefit from prompt reconstruction in devastated countries and from the productive development of other areas of the world. The Bank for Reconstruction and Development is intended to facilitate economic reconstruction and development.

UNITED STATES TRADE BY COUNTRIES, 1937

MILLIONS OF DOLLARS

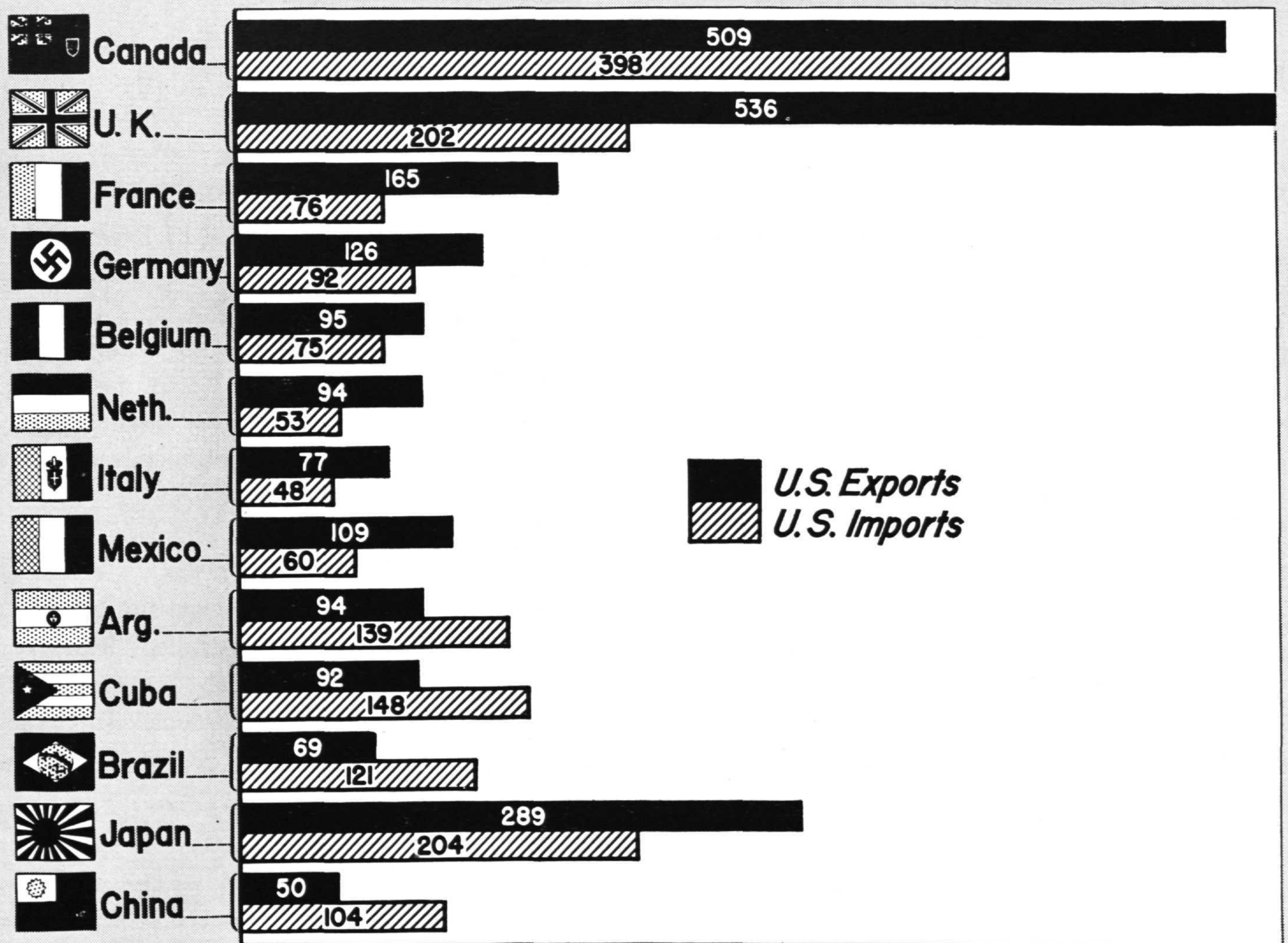


Chart XI.—International Monetary Fund: Organization and Management

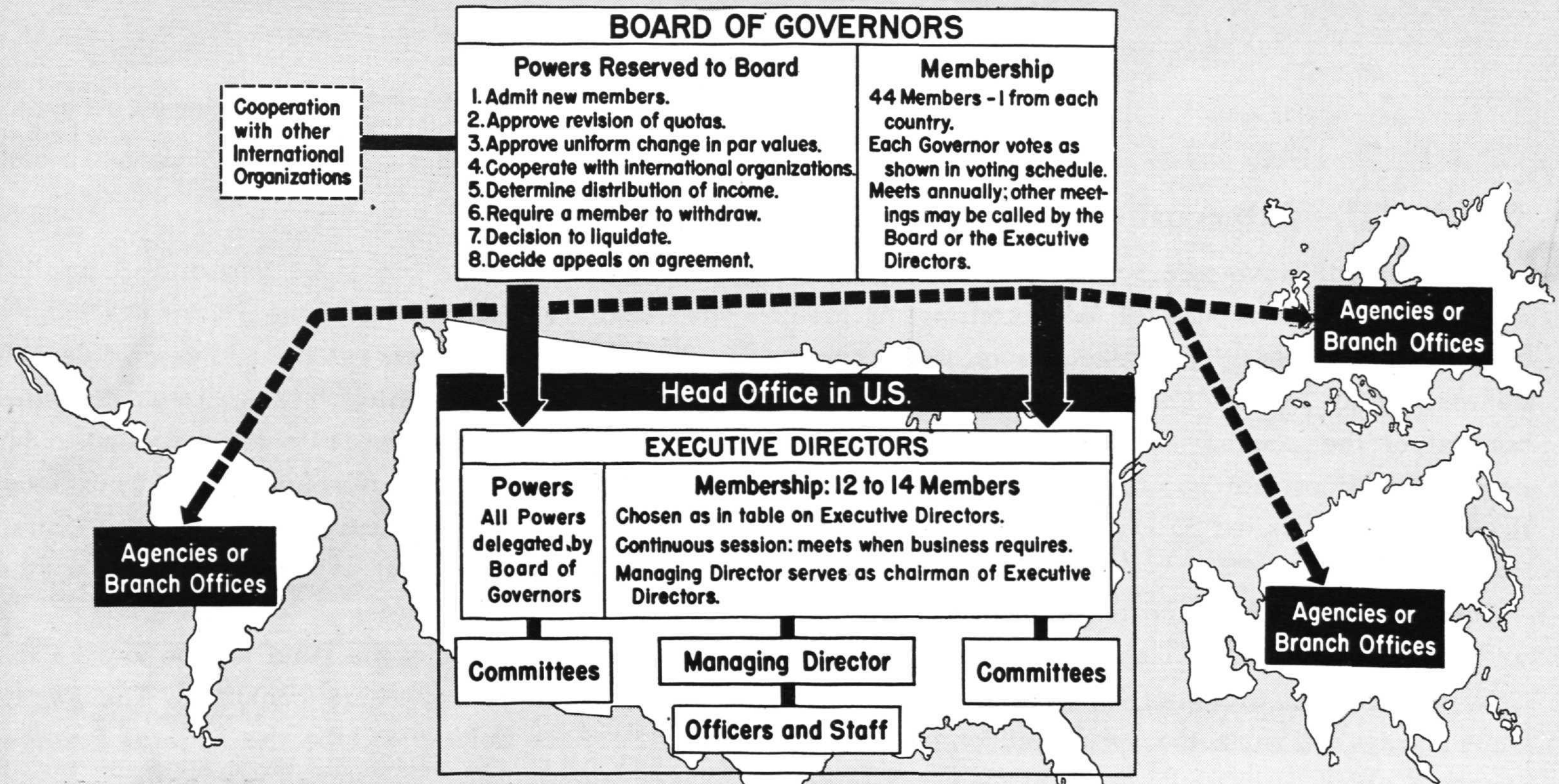
The Board of Governors will consist of 44 members, one from each country. The Board will meet annually and other meetings may be called as needed. Certain of the powers of the Fund are reserved to the Board and may not be delegated, including arrangements for cooperation with the International Bank, the Dumbarton Oaks council, and other international organizations.

The head office of the Fund will be in the United States. Agencies or branch offices may be established in other countries. At the head office, the Executive Directors will be constantly available to direct the business of the Fund. Day-to-day operations will be carried on by the Managing Director, the officers and staff, and committees appointed by the Executive Directors.

Provision is made for at least 12 Executive Directors. The United States, United Kingdom, U. S. S. R., China, and France will each name one. Two executive directors will be selected by the American Republics, and five by all other countries. The two countries whose currencies have been used by the Fund in the largest amounts will for this reason each appoint an executive director, unless they have already done so under the provision referred to above.

Voting in the Board of Governors will be based primarily on subscriptions. The United States has 28 percent of the votes, the British Commonwealth 25 percent, the Soviet Union 12 percent. The Executive Directors cast the votes of the countries that elected them.

INTERNATIONAL MONETARY FUND–ORGANIZATION AND MANAGEMENT



Votes

Australia	2,250	Dominican Rep.	300	India	4,250	Paraguay	270
Belgium	2,500	Ecuador	300	Iran	500	Peru	500
Bolivia	350	Egypt	700	Iraq	330	Philippine Com.	400
Brazil	1,750	El Salvador	275	Liberia	255	Poland	1,500
Canada	3,250	Ethiopia	310	Luxembourg	350	Union of S. Afr.	1,250
Chile	750	France	4,750	Mexico	1,150	U.S.S.R.	12,250
China	5,750	Greece	650	Netherlands	3,000	United Kingdom	13,250
Colombia	750	Guatemala	300	New Zealand	750	United States	27,750
Costa Rica	300	Haiti	300	Nicaragua	270	Uruguay	400
Cuba	750	Honduras	275	Norway	750	Venezuela	400
Czechoslovakia	1,500	Iceland	260	Panama	255	Yugoslavia	850

Total 99,000

Executive Directors

Each of the following countries names 1 Executive Director: U.S., U.K., U.S.S.R., China, France.

2 Executive Directors selected by American Republics on basis of proportional representation.

5 Executive Directors selected by all other countries on basis of proportional representation.

If not already included among the 5 Executive Directors by appointment, the 2 countries whose currencies have been reduced below their quotas by the largest amounts, are each entitled to appoint a director.

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Chart XII.—International Monetary Fund: Resources

The Fund will have resources of $8.8 billion, representing the subscription of 44 countries on the basis of their quotas. A change in a quota may be made only by a four-fifths vote and with the consent of the country concerned. The bill now pending provides that no change may be made in the quota of the United States without the authorization of Congress.

Subscriptions to the Fund are to be paid in gold and in the currencies of members. Gold subscriptions will amount to about $1.8 billion, of which United States will subscribe $687.5 million and other countries about $1,100 million. Currency subscriptions will amount to about $7 billion, of which the United States will subscribe $2,062.5 million and other countries about $4,900 million. Currency holdings of the Fund are to be guaranteed against depreciation in terms of gold.

The Fund's gold assets will be held at gold depositories in the United States, the four other countries with appointed executive directors, and at other despositories selected by the Fund. Initially, at least 50 percent of the gold must be held in the United States, and 40 percent in England, France, the Soviet Union, and China.

Currency holdings of the Fund will be kept in the central banks of depository countries. The Fund's depository for dollars will be the Federal Reserve. Nonnegotiable, noninterest bearing notes payable on demand may be substituted for currency deposits to the extent that the deposits are not immediately needed for the business of the Fund.

INTERNATIONAL MONETARY FUND-RESOURCES

Bill provides - No change in U.S. quota without authorization of Congress.

SUBSCRIPTIONS (Quotas)
44 Member Countries - $8.8 Billions
See table on Quotas

4/5 vote required for change in quota. No change in its quota without consent of member.

Gold
$1.8 Bil.
U.S.- $687.5 Mil.
Others- $1,112.5 Mil.

Currencies of Member Countries
$7.0 Bil.
U.S.........$2,062.5 Mil.
Others..... 4,937.5 Mil.

Gold value of assets always constant.

Quotas

Millions of United States Dollars

Australia	200	Iran	25
Belgium	225	Iraq	8
Bolivia	10	Liberia	.5
Brazil	150	Luxembourg	10
Canada	300	Mexico	90
Chile	50	Netherlands	275
China	550	New Zealand	50
Colombia	50	Nicaragua	2
Costa Rica	5	Norway	50
Cuba	50	Panama	.5
Czechoslovakia	125	Paraguay	2
Dominican Rep.	5	Peru	25
Ecuador	5	Philippine Com.	15
Egypt	45	Poland	125
El Salvador	2.5	Union of S. Afr.	100
Ethiopia	6	U.S.S.R.	1,200
France	450	United Kingdom	1,300
Greece	40	United States	2,750
Guatemala	5	Uruguay	15
Haiti	5	Venezuela	15
Honduras	2.5	Yugoslavia	60
Iceland	1		
India	400		

GOLD DEPOSITORIES

40 %

Gold depositories in 4 other countries. Initially 40% of gold held in these 4 depositories.

Bank of England
Bank of France
State Bank U.S.S.R.
Bank of China

50 %

FEDERAL RESERVE BANKS
Depository at principal office of Fund. Initially 50% of gold held in U.S.

10%

Other gold depositories selected by the fund.

CURRENCY DEPOSITORIES

FED. RESERVE BANKS
Depository for U.S. dollars held by Fund.

CENTRAL BANKS
Each Central Bank is Fund's depository for the Currency of that country held by Fund.

Non-negotiable, non-interest bearing notes payable on demand may be substituted for dollars which in the judgment of the Fund are not needed for current operations. Other countries may substitute same type of securities for their currencies under same circumstances.

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Chart XIII.—International Monetary Fund: Operations in Foreign Exchange

Countries whose out-payments exceed their in-payments for international transactions must use reserves of foreign exchange to prevent depreciation of their currency. The method by which a country that does not purchase exchange from the Fund meets its obligations to another country is shown as Transaction 1. The country draws on its own reserves of gold and foreign exchange to meet its international obligations. These countries in turn must use one-half of their increase in gold or foreign exchange to repurchase their own currency from the Fund.

Some countries whose out-payments exceed their in-payments for international transactions will purchase the exchange they need from the Fund unless declared ineligible for the reasons shown on the chart. The amount purchased by a country may not exceed 25 percent of its quota in any 12-month period, nor may the Fund's total holdings of a country's currency exceed that country's quota by 100 percent.

Transaction 2–(a) shows a country using its own currency to purchase another currency from the Fund which is then used to make payments to the other country. Simultaneously, a country using the Fund must use its own reserves of gold and foreign exchange in an equal amount. If it has not used its own reserves to that extent, it must repurchase its own currency from the Fund until the reduction in its reserves equals the increase in the Fund's holdings of its currency, as shown in Transaction 2–(b).

The Fund's holdings of gold will be increased when currencies are purchased from the Fund with gold and when charges are paid in gold. The Fund's holdings of gold will be decreased when the Fund uses gold to purchase scarce currencies. The Funds' holdings will change from one currency to another when countries purchase foreign exchange with their own currency.

All of the Fund's holdings of currency will be guaranteed against exchange depreciation in terms of gold.

INTERNATIONAL MONETARY FUND-OPERATIONS IN FOREIGN EXCHANGE

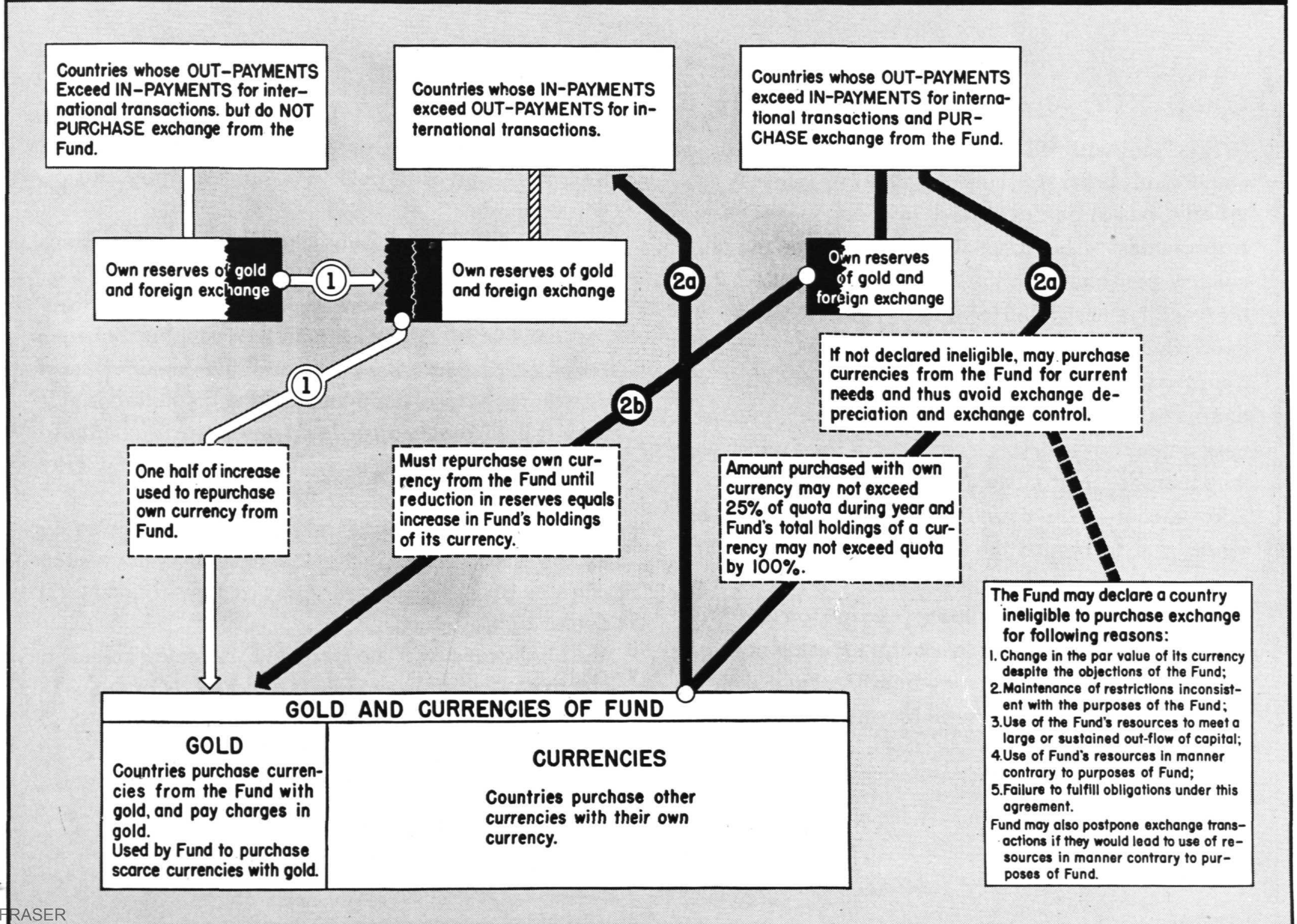

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Chart XIV.—International Monetary Fund: Charges

The Fund will sell needed foreign exchange to a country in order to help it maintain stable and orderly exchange rates and freedom in exchange transactions. The amount of foreign exchange a country can buy from the Fund will be limited, and the country must fulfill conditions which assure the Fund that its resources are being used only for approved purposes. Furthermore, countries must use their own gold reserves in equal amount and they must repurchase their currency from the Fund when they increase their monetary reserves.

To encourage a country to use its monetary reserves and to regard the Fund as a supplementary source of foreign exchange, a second line of reserves, the Fund will makes a heavy charge on the sale of foreign exchange for a country's currency. A member purchasing currency from the Fund with its own currency must pay three-fourths percent of the amount purchased as a service charge.

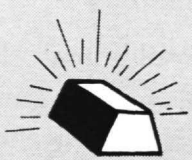
When a member country buys foreign exchange from the Fund with gold, a small handling charge will be made.

The Fund will levy additional charges on its holdings of currency in excess of a country's quota. These charges will increase with the duration and the amount of currency held. When the charges reach 4 percent, the Fund and the member must consider means of reducing the Fund's holdings. If they fail to reach agreement the charge continues to rise to 5 percent, at which time the Fund may impose any charges it deems appropriate.

On foreign exchange acquired by a country in excess of the stated limits, the Fund may levy such charges and impose such terms and conditions as it deems appropriate.

All charges will be payable in gold unless a country's gold reserve is less than half its quota. In such a case, charges will be paid partly in gold and partly in currency.

INTERNATIONAL MONETARY FUND-CHARGES BY THE FUND



All charges payable in gold. If monetary reserves of member are less than half its quota, charges are payable in gold in same proportion. Balance payable in currency.

1. Foreign exchange purchased from Fund with Member's Currency

¾ % of Amount

2. Foreign exchange purchased from Fund with Gold

Small Handling Charge

3. Additional charges payable by a country on Fund's holdings of its currency in excess of its quota (average daily balance)

At 4%, Fund and country must consider means of reducing Fund's holdings.

Failing agreement, on reaching 5% Fund may impose such charges as it deems appropriate.

Amount in excess of quota as % of quota*	Percent per annum on amounts in excess of quota							
	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year	7th Year	8th Year
0 - 25	After 3 Mos. ½	1	1½	2	2½	3	3½	4
25 - 50	1	1½	2	2½	3	3½	4	4½
50 - 75	1½	2	2½	3	3½	4	4½	5
75-100	2	2½	3	3½	4	4½	5	
	On additional amounts, the Fund may set such terms and conditions as it deems appropriate.							

*Provided increase does not exceed 25 percent of quota in any one year.

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Chart XV—International Monetary Fund: Exchange Stability

When the Fund is ready to begin operations, it will request members to communicate the par values of their currencies based on prevailing exchange rates. The Fund or the country may object within 90 days if either of them regards the par value based on the prevailing exchange rate as unsuitable. If they fail to reach agreement, the country is regarded as having withdrawn from membership.

All currencies must be defined in terms of gold or the United States dollar of the present weight and fineness. The bill before Congress requires that the United States dollar be defined at its present gold content.

Currencies must be kept stable within 1 percent of parity. Furthermore, countries must undertake not to change the parity of their currencies except after consultation with the Fund.

A change in parity may be made only on the proposal of the country concerned. A country shall not propose a change in parity except to correct a fundamental disequilibrium. Minor changes aggregating 10 percent may be made after consultation with the Fund. On all other changes the Fund may concur or object. If a change in parity is necessary to correct a fundamental disequilibrium, the Fund cannot object because of the domestic social or political policies of the country.

If the par value of a currency is changed, the member must deliver additional currency to the Fund until the gold value of the Fund's holdings is restored. If a member changes the par value of its currency after the Fund has expressed its objection, it becomes ineligible to use the resources of the Fund and may be required to withdraw from membership.

Provision is made for a uniform change in parity. This requires a majority vote, including the vote of all countries with 10 percent or more of the total quotas. The bill now pending provides that a uniform change in parities cannot be made without the authorization of Congress.

INTERNATIONAL MONETARY FUND - EXCHANGE STABILITY

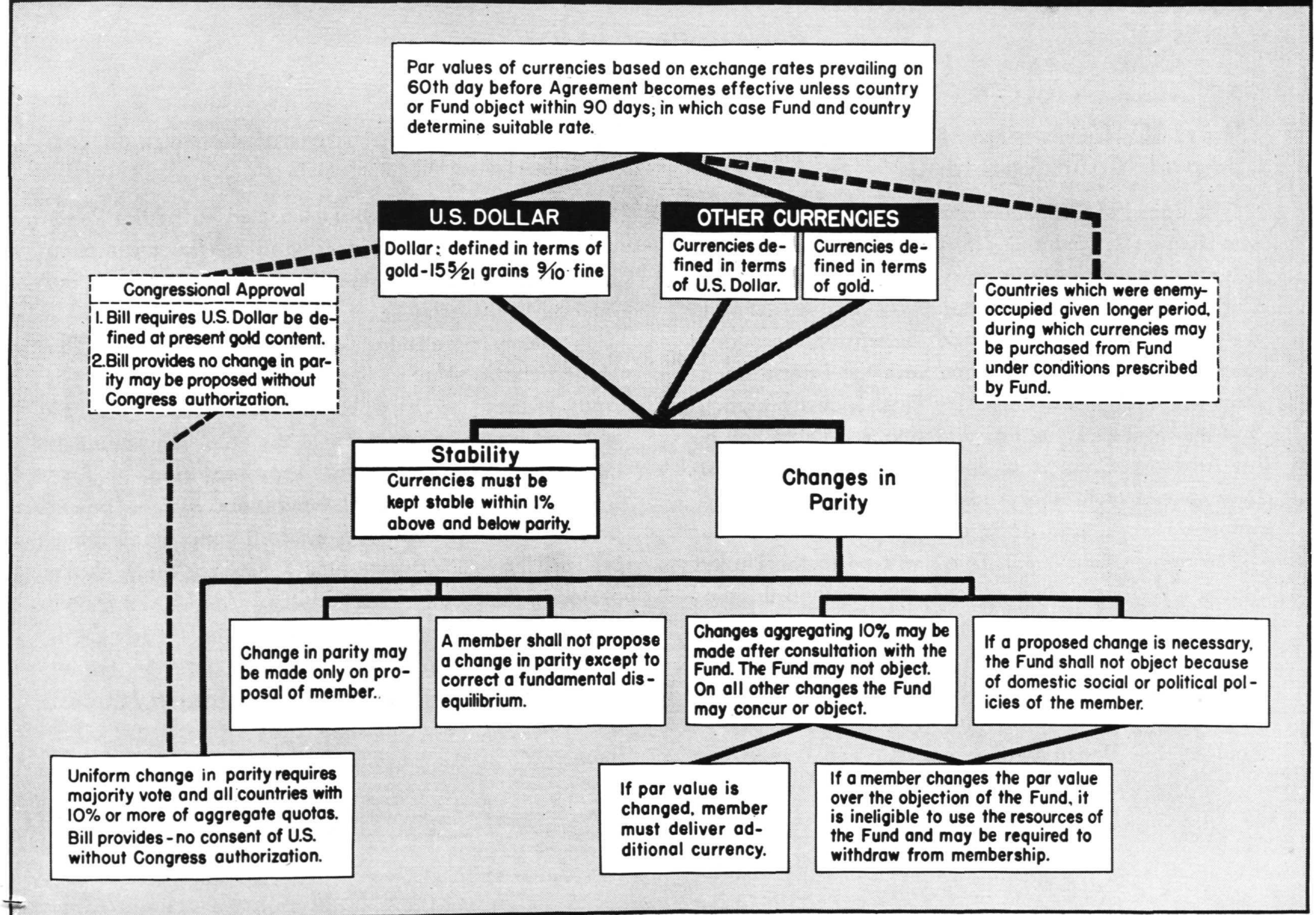

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Chart XVI.—International Bank for Reconstruction and Development: Organization and Management

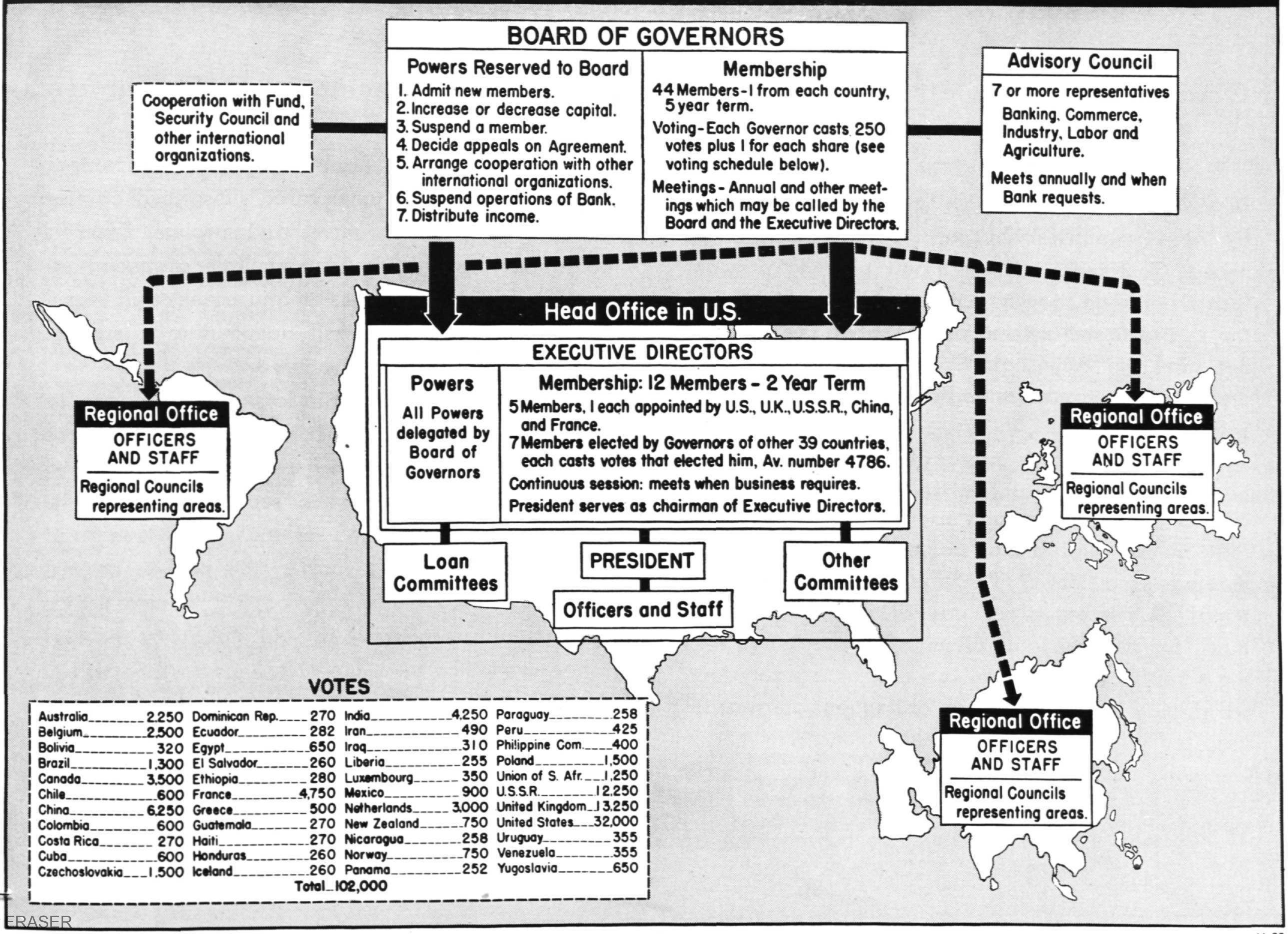
The Board of Governors will consist of 44 members, one from each country. The Board will meet annually and other meetings may be called as needed. Certain of the powers of the Bank are reserved to the Board and may not be delegated, including arrangements for cooperation with the International Monetary Fund, the Dumbarton Oaks security council, and other international organizations. There will be an Advisory Council of seven or more representatives drawn from the fields of banking, commerce, industry, labor, and agriculture.

The head office of the Bank will be in the United States. Regional offices may be established in other countries, with regional councils representing these areas. At the head office, the Executive Directors will be constantly available for the business of the Bank and will exercise the powers delegated to them by the Board of Governors. The day-to-day business of the Bank will be carried on by the President, the officers and staff, and by the loan committee and other committees appointed by the Executive Directors.

Provision is made for 12 Executive Directors. The United States, United Kingdom, U. S. S. R., China, and France each appoint one. Seven will be selected by the Governors of the other 39 countries on the basis of proportionate representation.

Voting in the Board of Governors will be based primarily on the amount of subscription. Each member will have 250 votes plus 1 vote for each share of stock subscribed by his country. The United States will have 32 percent of the votes, the British Commonwealth a total of 25 percent, and the Soviet Union 12 percent. The Executive Directors will cast the votes of the countries that appoint or elect them.

International Bank For Reconstruction And Development
ORGANIZATION AND MANAGEMENT



VOTES

Australia	2,250	Dominican Rep.	270	India	4,250	Paraguay	258
Belgium	2,500	Ecuador	282	Iran	490	Peru	425
Bolivia	320	Egypt	650	Iraq	310	Philippine Com.	400
Brazil	1,300	El Salvador	260	Liberia	255	Poland	1,500
Canada	3,500	Ethiopia	280	Luxembourg	350	Union of S. Afr.	1,250
Chile	600	France	4,750	Mexico	900	U.S.S.R.	12,250
China	6,250	Greece	500	Netherlands	3,000	United Kingdom	13,250
Colombia	600	Guatemala	270	New Zealand	750	United States	32,000
Costa Rica	270	Haiti	270	Nicaragua	258	Uruguay	355
Cuba	600	Honduras	260	Norway	750	Venezuela	355
Czechoslovakia	1,500	Iceland	260	Panama	252	Yugoslavia	650

Total 102,000

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Chart XVII.—International Bank for Reconstruction and Development: Resources and their Uses

The authorized capital of the Bank will be $10 billion. Of this, $9.1 billion is allocated for subscription by the 44 countries who participated in the Bretton Woods Conference. The bill now pending provides that no change may be made in the subscription of the United States without authorization of Congress, nor may the American Governor vote for an increase of the capital in the Bank without the authorization of Congress.

Ten percent of the subscription to the Bank will be paid in. Of the amount paid in, one-fifth will be in gold and the remaining four-fifths in currency. The $910 million paid in may be used for the purpose of making direct loans. The Bank may call an additional 10 percent of its capital if it requires the funds for its loan operations. The greater part of the subscribed capital will be kept as a surety fund which may be called to meet obligations on guarantees and securities of the Bank.

The amount of the Bank's loans and guarantees may not exceed the unimpaired subscribed capital of the Bank, plus its reserves and surplus. From its operations the Bank will accumulate a special reserve through commissions on guarantees and loans. In addition, the Bank will accumulate a surplus from its undistributed earnings.

If the Bank should sustain losses on the securities it guarantees or on its direct loans, it will meet these losses with its resources in this order: first, by drawing on its special reserves; second, by using its surplus; third, by calling on the surety fund; and finally, if necessary, by using the paid-in capital which it holds. Calls upon capital to meet losses of the Bank are payable in gold, dollars or the currency needed to meet the obligations. The paid-in capital may be converted into any currency needed to meet the obligations of the Bank.

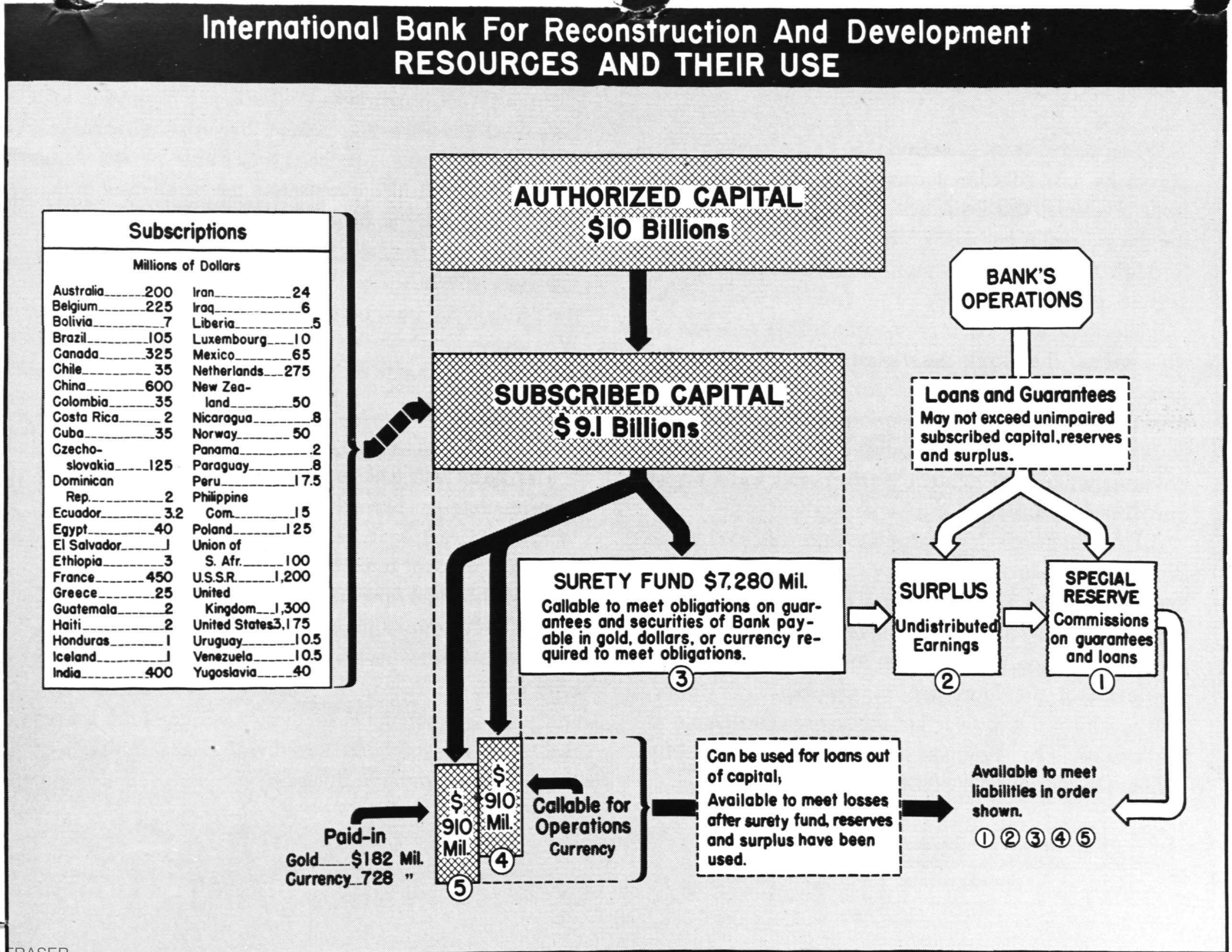
International Bank For Reconstruction And Development
RESOURCES AND THEIR USE
Subscriptions
Millions of Dollars
Australia 200
Belgium 225
Bolivia 7
Brazil 105
Canada 325
Chile 35
China 600
Colombia 35
Costa Rica 2
Cuba 35
Czecho-slovakia 125
Dominican Rep. 2
Ecuador 3.2
Egypt 40
El Salvador 1
Ethiopia 3
France 450
Greece 25
Guatemala 2
Haiti 2
Honduras 1
Iceland 1
India 400
Iran 24
Iraq 6
Liberia .5
Luxembourg 10
Mexico 65
Netherlands 275
New Zealand 50
Nicaragua .8
Norway 50
Panama .2
Paraguay .8
Peru 17.5
Philippine Com. 15
Poland 125
Union of S. Afr. 100
U.S.S.R. 1,200
United Kingdom 1,300
United States 3,175
Uruguay 10.5
Venezuela 10.5
Yugoslavia 40
AUTHORIZED CAPITAL
$10 Billions
SUBSCRIBED CAPITAL
$9.1 Billions
BANK'S OPERATIONS
Loans and Guarantees
May not exceed unimpaired subscribed capital, reserves and surplus.
SURETY FUND $7,280 Mil.
Callable to meet obligations on guarantees and securities of Bank payable in gold, dollars, or currency required to meet obligations.
3
SURPLUS
Undistributed Earnings
2
SPECIAL RESERVE
Commissions on guarantees and loans
1
Paid-in
Gold $182 Mil.
Currency 728 "
$ 910 Mil.
5
$ 910 Mil.
4
Callable for Operations
Currency
Can be used for loans out of capital;
Available to meet losses after surety fund, reserves and surplus have been used.
Available to meet liabilities in order shown.
1 2 3 4 5

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Chart XVIII.—International Bank for Reconstruction and Development: Loan Operations

I

When borrowing governments or borrowing corporations can obtain loans on reasonable terms from investors, the Bank will not concern itself with the loan. In such cases, the loan will be raised through the usual investment channels from the investing public.

If the loan is not otherwise obtainable on reasonable terms, the Bank may guarantee or make the loan. In the case of a corporation, or another borrower which is not itself the central government of a country, the Bank will require a guarantee of the government or the central bank before making or guaranteeing the loan.

All applications for loans or guarantees by the Bank must be investigated by a loan committee of the Bank. The loan can only be approved if it is for a specific productive project, if the borrowing countries will be in a position to service the loan, if the terms of the loan are reasonable and appropriate, and if the loan is not otherwise obtainable in the market. In exceptional cases, the Bank may also make long-term stabilization loans.

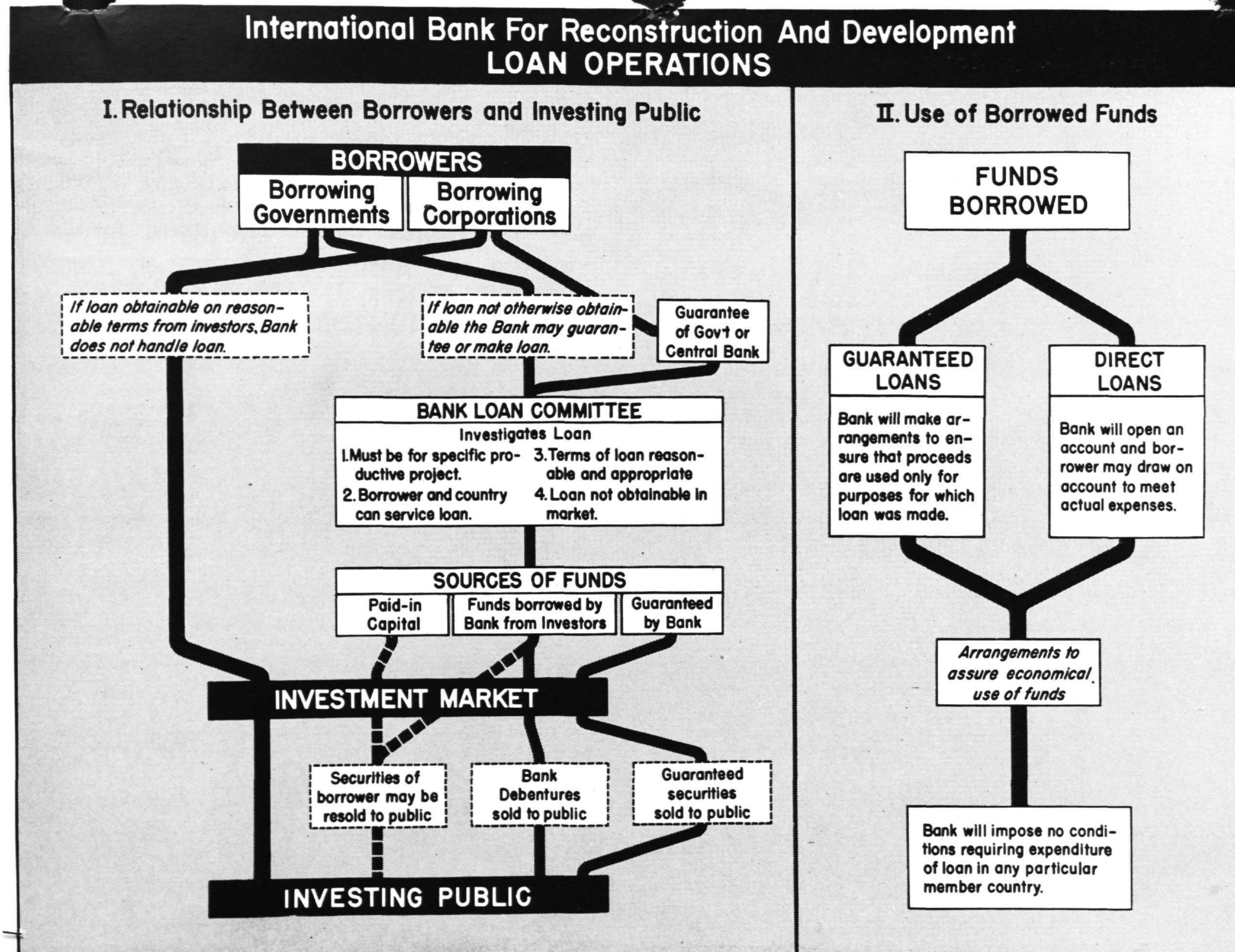
If the Bank guarantees the loan, the securities will be sold to the investing public through the usual investment channels. If the loan cannot be obtained even with the Bank's guarantee, the Bank may make the loan out of its paid-in capital or out of funds borrowed from investors. The funds borrowed from investors will be raised by selling the debentures of the Bank to the public through the investment market. Where the Bank makes direct loans, it may find it desirable at some later time to resell the securities to the public.

II

The Bank will assure itself that funds borrowed by governments or corporations are economically used. When a direct loan is made by the Bank, it will open an account and the borrower will draw on the account to meet actual expenses for the approved project. On guaranteed loans, the Bank will make arrangements to assure that the proceeds are used only for the purposes for which the loan was made.

These arrangements to assure economical use of the funds are intended to safeguard the interests of the borrower and the investor.

U. S. GOVERNMENT PRINTING OFFICE: 1945


International Bank For Reconstruction And Development
LOAN OPERATIONS
I. Relationship Between Borrowers and Investing Public
BORROWERS
Borrowing Governments
Borrowing Corporations
If loan obtainable on reasonable terms from investors, Bank does not handle loan.
If loan not otherwise obtainable the Bank may guarantee or make loan.
Guarantee of Gov't or Central Bank
BANK LOAN COMMITTEE
Investigates Loan
1. Must be for specific productive project.
2. Borrower and country can service loan.
3. Terms of loan reasonable and appropriate
4. Loan not obtainable in market.
SOURCES OF FUNDS
Paid-in Capital
Funds borrowed by Bank from Investors
Guaranteed by Bank
INVESTMENT MARKET
Securities of borrower may be resold to public
Bank Debentures sold to public
Guaranteed securities sold to public
INVESTING PUBLIC
II. Use of Borrowed Funds
FUNDS BORROWED
GUARANTEED LOANS
Bank will make arrangements to ensure that proceeds are used only for purposes for which loan was made.
DIRECT LOANS
Bank will open an account and borrower may draw on account to meet actual expenses.
Arrangements to assure economical use of funds
Bank will impose no conditions requiring expenditure of loan in any particular member country.