THE BRETTON WOODS AGREEMENTS

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[redacted] THE BRETTON WOODS AGREEMENTS

I. The pattern of post-war international relations
Dumbarton Oaks; General Assembly of United Nations

1. Security Council - political

2. Economic and Social Council - coordinating body

   A. UNRRA
   B. Food and Agriculture
   C. International Trade Body
   D. International Monetary Fund
   E. International Bank for Reconstruction and Development

II. International finance - Bretton Woods

1. The atmosphere of Bretton Woods

   A. Fundamental agreement on

      a. Prosperity has no fixed limits - the more other nations enjoy the more each nation will have for itself.

      b. Prosperity, like peace, is indivisible.

         - Poverty wherever it exists threatens all - cannot be localized.

   B. **Disagreements on details of plans at the outset but recognition of necessity to give and take.**

No one completely satisfied; but dis-
satisfaction equitably distributed.

2. Major financial tasks

A. To establish and maintain an orderly system of international currency relationships

B. To revive international investment

III. The International Monetary Fund

1. Purpose: to establish a reasonably stable standard of international exchange to which all countries can adhere without sacrificing the freedom of action necessary to meet their internal economic problems.

2. Nature of problems to be solved: disequilibria in international payments

A. Fundamental disequilibrium

a. Affects all countries

b. Solutions are

(1) Restrictions
(2) Change in internal value
(3) Change in external value

B. Temporary disequilibrium

a. Origin - New Zealand illustration - Nash

b. Remedies

(1) Depreciate
(2) Restrict purchases to available exchange
(3) Provide temporary funds

3. The "solutions" adopted in the interwar period

A. Competitive exchange depreciation

B. Multiple currency systems

C. Bilateral clearing agreements

D. Exchange controls, quotas, etc.

4. Major current proposals

A. The International Monetary Fund - history

B. Key-country approach

5. Principles of the International Monetary Fund

A. Stable but not rigid exchange rates

a. Guarantee of gold value of the Fund

b. Reduction and eventual elimination of exchange restrictions

(1) Report after 3 years
Consent to continue after 5 years

c. Pool or fund to tide over emergencies

(1) Each member contributes an amount (quota) to a common pool.

25% of quota or 10% of holdings in gold.

Remainder in local currency.

(2) Each member has limited access to the pool; limitations -

(a) 25% of quota per year
(b) 200% of quota total
(c) Repurchases
(d) Uses
(e) Charges - distribution of income
(f) Declaring ineligible

6. Management

A. Voting - 250 + $\frac{\text{Quota}}{\$100,000}$

B. Board of governors

C. Executive directors - at least 12

5 - appointed by largest quota members
2 - nonappointing American republics
5 - other nonappointing members
2 - largest "creditors" after 2 years

D. **Managing director**

7. **The key-country approach**

Diverse proposals - not clear cut

A. Principles

a. Initial United States-United Kingdom agreement on sterling/dollar rate.

Other currencies linked to one or the other.

b. Large ($5 billion) grant-in-aid or gift or loan to Great Britain.

Aid to others as they adopt policies we consider appropriate.

B. Similarities and differences between the two approaches

A. Similarities

a. Success of both depends upon reduction in trade barriers and sound internal financial and economic policies.

b. Dollar-sterling rate curcial.

c. Chief responsibility and authority to major countries.

d. Provide stabilization credits.

B. Dissimilarities

a. Role of small nations.

b. Fund discourages, key-country encourages formation of blocks

c. Fund has place for nonmembers of blocks.

d. Key currency on a product basis

Wheat: U.S., Canada, Argentina, Australia

e. Fund agreement by technicians of 44 nations.

Continues war partnership.

f. Fund prepares for crises wherever and whenever they occur.

IV. The International Bank for Reconstruction and Development

1. Purposes

A. To promote international lending

2. Powers

A. Promote private international loans
B. Guarantee loans
C. Make loans out of own resources