

Reading to
Wayne Junction

THE BRETTON WOODS INTERNATIONAL FINANCIAL AGREEMENTS

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THE BRETTON WOODS INTERNATIONAL FINANCIAL AGREEMENTS

I. Bretton Woods

A. Physical accommodation

1. The Mt. Washington Hotel
 - a. Prices
 - b. When "the guests" arrive
2. Crawford House - 5 miles away

B. Stenographic problems

1. Flimsies - alternatives - 472 documents
2. Furniture and supplies
3. Clerical force from Washington
4. Mimeographing

C. People

1. Language difficulties
 - a. Non-cumulative
 - b. "All-in-all"
 - c. Maletin
2. Customs difficulties
 - a. Kung - N.H. a Puritan state?
 - b. 43 Chinamen - to show face
 - c. 3 Russians plus secretary at Atlantic City

3. Determined [redacted] in this war

Keilhau
Varvaressos

Braynski ?
Chechulin - Stalingrad

Barnacki

II. The problems of international finance

A. Evolution of problems

1. Disruption of the last war
2. Mistakes in the return to gold
International value of a domestic currency
 - a. England in 1925
 - b. France in 1926
3. Abandonment of gold
 - a. Competitive exchange depreciation
 - b. Exchange controls
 - c. Quotas
 - d. Clearing agreements
 - e. Bilateral agreements

B. Lessons from this experience

1. Action of one affects all
 - 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
2. Necessity of establishing 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.

3. International pressures calling for relief
 - a. Fundamental disequilibrium
 - Change in exchange rates
 - b. Temporary disequilibrium
 - Draw on international reserve
4. Make sure that pressures are genuine

III. The International Monetary Fund

A. Nature of the Fund

Each member contributes an amount -
"quota" - to a common pool.

1. 25% of quota or 10% of holdings in gold
2. Remainder in local currency
3. Arguments on size of quotas

B. Stable but not rigid exchange rates

1. No change without consultation
 - a. Penalty for unauthorized changes
2. Conditions for change
 - a. 10% change unilateral
 - b. 10% - 72-hour notice
 - c. Other changes

C. Protections to the Fund

1. Guarantee of gold value

750
300
1300
550
Lania vS

2. Limited access to the Fund
 - a. 25% of quota per year
 - b. 200% of quota total
 - c. Repurchases
 - d. Uses
 - e. Charges - distribution of income
 - f. Declaring ineligible
3. Reduction and eventual elimination of exchange restrictions
 - a. Report after 3 years
 - b. Consent to continue after 5 years

D. Management

1. Voting - $250 + \frac{\text{Quota}}{\$100,000}$
2. Board of governors
3. 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
4. Managing director

IV. The key-country approach

Diverse proposals - not clear cut

A. Principles

1. Initial United States-United Kingdom agreement on sterling/dollar rate.
Other currencies linked to one or the other.

2. 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

1. Similarities

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

b. Dollar-sterling rate crucial.

c. Chief responsibility and authority to major countries.

d. Provide stabilization credits.

2. 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.

V. The International Bank for Reconstruction and Development

A. Purposes

- 1. To promote international lending

B. Powers

- 1. Promote private international loans
- 2. Guarantee loans
- 3. Make loans out of own resources