

United Nations Monetary and Financial Conference

BRETTON WOODS, NEW HAMPSHIRE

JULY 1 TO JULY 22, 1944

EXTRACTS FROM

FINAL ACT AND RELATED DOCUMENTS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

September 1946

FINAL ACT (excerpt)

The following resolutions, statement, and recommendations were adopted:

I

PREPARATION OF THE FINAL ACT

The United Nations Monetary and Financial Conference

RESOLVES:

That the Secretariat be authorized to prepare the Final Act in accordance with the suggestions proposed by the Secretary General in *Journal No. 19*, July 19, 1944;

That the Final Act contain the definitive texts of the conclusions approved by the Conference in plenary session, and that no changes be made therein at the Closing Plenary Session;

That the Coordinating Committee review the text and, if approved, submit it to the Final Plenary Session.

II

PUBLICATION OF DOCUMENTATION

The United Nations Monetary and Financial Conference

RESOLVES:

That the Government of the United States of America be authorized to publish the Final Act of this Conference; the Reports of the Commissions; the Minutes of the Public Plenary Sessions; and to make available for publication such additional documents in connection with the work of this Conference as in its judgment may be considered in the public interest.

III

NOTIFICATION OF SIGNATURES AND CUSTODY OF DEPOSITS

The United Nations Monetary and Financial Conference

RESOLVES:

To request the Government of the United States of America

(1) as depository of the Articles of Agreement of the International Monetary Fund, to inform the Governments of all countries whose names are set forth in Schedule A of the Articles of Agreement of the International Monetary Fund, and all Governments whose membership is approved in accordance with Article II, Section 2, of all signatures of the Articles of Agreement; and

(2) to receive and to hold in a special deposit account gold or United States dollars transmitted to it in accordance with Article XX, Section 2 (d), of the Articles of Agreement of the International Monetary Fund, and to transmit such funds to the Board of Governors of the Fund when the initial meeting has been called.

IV

STATEMENT REGARDING SILVER

The problems confronting some nations as a result of the wide fluctuation in the value of silver were the subject of serious discussion in Commission III. Due to the shortage of time, the magnitude of the other problems on the agenda, and other limiting considerations, it was impossible to give sufficient attention to this problem at this time in order to make definite recommendations. However, it was the sense of Commission III that the subject should merit further study by the interested nations.

V

LIQUIDATION OF THE BANK FOR INTERNATIONAL SETTLEMENTS

The United Nations Monetary and Financial Conference

RECOMMENDS:

The liquidation of the Bank for International Settlements at the earliest possible moment.

VI

ENEMY ASSETS AND LOOTED PROPERTY

Whereas, in anticipation of their impending defeat, enemy leaders, enemy nationals and their collaborators are transferring assets to and through neutral countries in order to conceal them and to perpetuate their influence, power, and ability to plan future aggrandizement and

world domination, thus jeopardizing the efforts of the United Nations to establish and permanently maintain peaceful international relations;

Whereas, enemy countries and their nationals have taken the property of occupied countries and their nationals by open looting and plunder, by forcing transfers under duress, as well as by subtle and complex devices, often operated through the agency of their puppet governments, to give the cloak of legality to their robbery and to secure ownership and control of enterprises in the post-war period;

Whereas, enemy countries and their nationals have also, through sales and other methods of transfer, run the chain of their ownership and control through occupied and neutral countries, thus making the problem of disclosure and disentanglement one of international character;

Whereas, the United Nations have declared their intention to do their utmost to defeat the methods of dispossession practiced by the enemy, have reserved their right to declare invalid any transfers of property belonging to persons within occupied territory, and have taken measures to protect and safeguard property, within their respective jurisdictions, owned by occupied countries and their nationals, as well as to prevent the disposal of looted property in United Nations markets; therefore

The United Nations Monetary and Financial Conference

1. Takes note of and fully supports steps taken by the United Nations for the purpose of:
 - (a) uncovering, segregating, controlling, and making appropriate disposition of enemy assets;
 - (b) preventing the liquidation of property looted by the enemy, locating and tracing ownership and control of such looted property, and taking appropriate measures with a view to restoration to its lawful owners;
2. RECOMMENDS:

That all Governments of countries represented at this Conference take action consistent with their relations with the countries at war to call upon the Governments of neutral countries

 - (a) to take immediate measures to prevent any disposition or transfer within territories subject to their jurisdiction of any
 - (1) assets belonging to the Government or any individuals or institutions within those United Nations occupied by the enemy; and
 - (2) looted gold, currency, art objects, securities, other evidences of ownership in financial or business enterprises, and of other assets looted by the enemy; as well as to uncover, segregate and hold at the disposition

- of the post-liberation authorities in the appropriate country any such assets within territory subject to their jurisdiction;
- (b) to take immediate measures to prevent the concealment by fraudulent means or otherwise within countries subject to their jurisdiction of any
- (1) assets belonging to, or alleged to belong to, the Government of and individuals or institutions within enemy countries;
 - (2) assets belonging to, or alleged to belong to, enemy leaders, their associates and collaborators; and
- to facilitate their ultimate delivery to the post-armistice authorities.

VII

INTERNATIONAL ECONOMIC PROBLEMS

Whereas, in Article I of the Articles of Agreement of the International Monetary Fund it is stated that one of the principal purposes of the Fund is to facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy;

Whereas, it is recognized that the complete attainment of this and other purposes and objectives stated in the Agreement cannot be achieved through the instrumentality of the Fund alone; therefore

The United Nations Monetary and Financial Conference

RECOMMENDS:

To the participating Governments that, in addition to implementing the specific monetary and financial measures which were the subject of this Conference, they seek, with a view to creating in the field of international economic relations conditions necessary for the attainment of the purposes of the Fund and of the broader primary objectives of economic policy, to reach agreement as soon as possible on ways and means whereby they may best:

- (1) reduce obstacles to international trade and in other ways promote mutually advantageous international commercial relations;
- (2) bring about the orderly marketing of staple commodities at prices fair to the producer and consumer alike;
- (3) deal with the special problems of international concern which will arise from the cessation of production for war purposes; and
- (4) facilitate by cooperative effort the harmonization of national policies of Member States designed to promote and maintain high levels of employment and progressively rising standards of living.

VIII

The United Nations Monetary and Financial Conference

RESOLVES:

1. To express its gratitude to the President of the United States, Franklin D. Roosevelt, for his initiative in convening the present Conference and for its preparation;
2. To express to its President, The Honorable Henry Morgenthau, Jr., its deep appreciation for the admirable manner in which he has guided the Conference;
3. To express to the Officers and Staff of the Secretariat its appreciation for their untiring services and diligent efforts in contributing to the attainment of the objectives of the Conference.

IN WITNESS WHEREOF, the following delegates sign the present Final Act.

DONE at Bretton Woods, New Hampshire, on the twenty-second day of July, nineteen hundred and forty-four, in the English language, the original to be deposited in the archives of the Department of State of the United States, and certified copies thereof to be furnished by the Government of the United States of America to each of the Governments and Authorities represented at the Conference.

For AUSTRALIA:

L. G. MELVILLE.

For purpose of certification

For BELGIUM:

GUTT

For BOLIVIA:

R BALLIVIAN

For BRAZIL:

A. DE SZA. COSTA

For CANADA:

W A MACKINTOSH.

For CHILE:

LUIS ALAMOS

For CHINA:

K'UNG HSIANG HSI [SEAL]

For COLOMBIA:

CARLOS LLERAS RESTREPO.

For COSTA RICA:

LUIS D. TINOCO C

For CUBA:

E I MONTOLIEU

For CZECHOSLOVAKIA:
L FEIERABEND

For THE DOMINICAN REPUBLIC:
A. COPELLO

For ECUADOR:
E. F. CARBO.

For EGYPT:
S. LACKANY

For EL SALVADOR:
AG. ALFARO.

For ETHIOPIA:
EPHREM T. MEDHEN

For THE FRENCH DELEGATION:
MENDES FRANCE

For GREECE:
K. VARVARESSOS

For GUATEMALA:
M NORIEGA M

For HAITI:
A. LIAUTAUD

For HONDURAS:
JULIÁN R. CÁCERES

For ICELAND:
MAGNÚS SIGURDSSON.

For INDIA:
A J RAISMAN

For IRAN:
DR. TAGHI NASSR

For IRAQ:
IBRAHIM KAMAL

For LIBERIA:
WILLIAM E DENNIS

For LUXEMBOURG:
HUGUES LEGALLAIS

For MEXICO:
EDUARDO SUÁREZ

For THE NETHERLANDS:
J. W. BEYEN

For NEW ZEALAND:
E C FUSSELL

For NICARAGUA:
GUILLERMO SEVILLA SACASA

For NORWAY:
WILHELM KEILHAU

For PANAMA:
A. G. ARANGO

For PARAGUAY:
N. CAMPOS ROS

For PERU:
P. G. BELTRÁN

For THE PHILIPPINE COMMONWEALTH:
A SORIANO

For POLAND:
LUDWIK GROSFELD

For THE UNION OF SOUTH AFRICA:
S. F. N. GIE

For THE UNION OF SOVIET SOCIALIST REPUBLICS:
M. S. STEPANOV

For THE UNITED KINGDOM:
KEYNES

For THE UNITED STATES OF AMERICA:
HENRY MORGENTHAU JR.

For URUGUAY:
MARIO LA GAMMA

For VENEZUELA:

The Venezuelan Delegation wishes to express that its signing of this Act does not imply any recommendation to its Government as to the acceptance of the documents herein contained. The Venezuelan Delegation shall present to its Government these documents for their careful examination within the broad spirit of collaboration that has always guided the acts of our Government.

RODOLFO ROJAS

For YUGOSLAVIA:
DR. VLADIMIR RYBÁŘ

[SEAL]

WARREN KELCHNER
Secretary General

SUMMARY OF AGREEMENTS OF BRETTON WOODS CONFERENCE

This Conference at Bretton Woods, representing nearly all the peoples of the world, has considered matters of international money and finance which are important for peace and prosperity. The Conference has agreed on the problems needing attention, the measures which should be taken, and the forms of international cooperation or organization which are required. The agreements reached on these large and complex matters are without precedent in the history of international economic relations.

I. *The International Monetary Fund*

Since foreign trade affects the standard of life of every people, all countries have a vital interest in the system of exchange of national currencies and the regulations and conditions which govern its working. Because these monetary transactions are international exchanges, the nations must agree on the basic rules which govern the exchanges if the system is to work smoothly. When they do not agree, and when single nations and small groups of nations attempt by special and different regulations of the foreign exchanges to gain trade advantages, the result is instability, a reduced volume of foreign trade, and damage to national economies. This course of action is likely to lead to economic warfare and to endanger the world's peace.

The Conference has therefore agreed that broad international action is necessary to maintain an international monetary system which will promote foreign trade. The nations should consult and agree on international monetary changes which affect each other. They should outlaw practices which are agreed to be harmful to world prosperity, and they should assist each other to overcome short-term exchange difficulties.

The Conference has agreed that the nations here represented should establish for these purposes a permanent international body, *The International Monetary Fund*, with powers and resources adequate to perform the tasks assigned to it. Agreement has been reached concerning these powers and resources and the additional obligations which the member countries should undertake. Draft Articles of Agreement on these points have been prepared.

II. *The International Bank for Reconstruction and Development*

It is in the interest of all nations that post-war reconstruction should be rapid. Likewise, the development of the resources of particular regions is in the general economic interest. Programs of reconstruction and development will speed economic progress everywhere, will aid political stability and foster peace.

The Conference has agreed that expanded international investment is essential to provide a portion of the capital necessary for reconstruction and development.

The Conference has further agreed that the nations should cooperate to increase the volume of foreign investment for these purposes, made through normal business channels. It is especially important that the nations should cooperate to share the risks of such foreign investment, since the benefits are general.

The Conference has agreed that the nations should establish a permanent international body to perform these functions, to be called *The International Bank for Reconstruction and Development*. It has been agreed that the Bank should assist in providing capital through normal channels at reasonable rates of interest and for long periods for projects which will raise the productivity of the borrowing country. There is agreement that the Bank should guarantee loans made by others and that through their subscriptions of capital all countries should share with the borrowing country in guaranteeing such loans. The Conference has agreed on the powers and resources which the Bank must have and on the obligations which the member countries must assume, and has prepared draft Articles of Agreement accordingly.

The Conference has recommended that in carrying out the policies of the institutions here proposed special consideration should be given to the needs of countries which have suffered from enemy occupation and hostilities.

The proposals formulated at the Conference for the establishment of the Fund and the Bank are now submitted, in accordance with the terms of the invitation, for consideration of the governments and people of the countries represented.

REPORT OF COMMISSION I

(INTERNATIONAL MONETARY FUND)

TO THE EXECUTIVE PLENARY SESSION

July 20, 1944

Reporting Delegate: Louis Rasminsky, Canada

MR. PRESIDENT:

I have the honor to report to the Conference on the work of Commission I, which was set up by the Conference at its second plenary session on July 3 to consider proposals for the establishment of an International Monetary Fund. The Commission has ended its work with complete success. It held nine sessions under the distinguished chairmanship of Dr. Harry D. White (delegate of the United States of America) whose firm guidance helped bring the Commission safely around all difficult corners. I know that I am voicing the unanimous and sincere feeling of all members of the Commission when I express to Dr. White our deep appreciation of the manner in which he conducted our deliberations.

The Commission carried on a large part of its business through four standing committees, dealing respectively with the Purposes, Policies, and Quotas of the Fund, with the Operations of the Fund, with the Organization and Management of the Fund, and with the Form and Status of the Fund. In all, these standing committees held 26 meetings, and each of them established several subcommittees. In addition, the Commission set up *ad hoc* committees on Uniform Changes in Par Values of Currencies, Exchange Controls on Current Payments, Depositories, Relations with Non-Member Countries, Special Problems of Liberated Areas, Voting Arrangements and Executive Directors, Quotas and, toward the end of its deliberations, a Special Committee on Unsettled Problems. The task of recording the decisions of Commission I was entrusted to a Drafting Committee.

At its final session on July 19, 1944, the Commission adopted the Articles of Agreement of the International Monetary Fund. It is my privilege to transmit to the Conference these Articles of Agreement; they are annexed to this report and form part thereof.¹

¹ Not printed as an annex to this report. See Articles of Agreement of the International Monetary Fund as contained in the Final Act, p. 28.

I am certain that all members of the Conference will share my view that it has been no small achievement for the representatives of 44 countries to have reached agreement on the desirability of establishing an International Monetary Fund and on the conditions which should govern its operations. The subject is a highly technical and complicated one; and the new and bold vision it embodies might have been expected to render agreement difficult to attain.

I think that there are two main reasons why it has been possible for the Commission, in the short time which has elapsed since it held its first meeting on July 3, to achieve this result. In the first place the technical preparation of this Conference was admirable. The preparation went on steadily for about 18 months before the Conference convened. As has happened so often in the history of ideas, a brilliant concept was developed simultaneously and independently in different parts of the world. In April 1943, the Clearing Union proposal, which will always remain associated with the great name of Lord Keynes, was published in the United Kingdom, and the original American plan for a Stabilization Fund of the United and Associated Nations, the work of Dr. White and his able collaborators, was published in this country. Before and after publication, informal discussions took place between the authors of these proposals and the representatives of interested countries. Like the more formal proceedings of this Conference, these conversations were noncommittal in character and did not bind governments to agree to or support the proposals discussed.

After the United States Treasury officials had held a series of bilateral talks with officials of other governments, they thought it well to organize a more general exchange of views, which took place among the representatives of some 20 countries at Washington in June 1943. After that, bilateral and group talks continued in Washington, in London, and elsewhere, and the officials of certain other countries, including France and Canada, put forward proposals along the same general lines as the British and the American.

As a result of these discussions, the area of agreement on principles was found to be very wide, and this having been ascertained, there was no great difficulty in reaching a satisfactory accommodation as regards the secondary questions relating to techniques and amounts. This accommodation was embodied in the Joint Statement by Experts on the Establishment of an International Monetary Fund of the United and Associated Nations, which was published simultaneously in many of the world's capitals in April 1944 and which constituted the main working paper of Commission I.

The final stage of preparation for the work of this Conference was the informal pre-conference discussions which took place at Atlantic

City from June 15 to June 30, 1944. This meeting provided a useful opportunity for a preliminary exchange of views and it helped materially to shorten and focus the discussions here.

So much for the preparatory work. I repeat that the technical preparation of the Conference was excellent and was largely responsible for the results that have been achieved. I am sure that the Conference has every reason to be grateful to those who gave so unstintingly of their time and effort in the preliminary stages of this work.

But no amount of technical preparation would have been adequate if there had not been in all delegations a single-minded determination to accomplish positive results at Bretton Woods. I have said earlier that at a relatively early stage in the preliminary discussions there was found to be general agreement on major points of principle. These major points of principle I conceive to be three in number: First, that an exchange rate in its very nature is a two-ended thing, and that changes in exchange rates are therefore properly matters of international concern; second, that the peace and prosperity of all will be served by countries agreeing to avoid not only competitive devaluations of their currencies but also exchange restrictions on their current international transactions and bilateralist currency practices of a discriminatory nature; and finally, that means must be found to increase the international liquidity of all countries, to give them assurance that temporary deficits in their international balances of payments can be met without resorting either to deflationary measures which reduce real income and employment at home, the maintenance of which is, in the words of the document I am transmitting to you, one of the "primary objectives of economic policy," or alternatively, to internationally anti-social measures, such as excessive tariffs and other import restrictions.

I wish to pause here for a moment to comment on these last two objectives. The Commission, in asking governments to assume the obligation to make their currencies freely convertible, so that each country can count on using the proceeds of its exports to any part of the world to pay for imports from any part of the world, has been sufficiently realistic to recognize that certain countries will not be able to assume this obligation at once. There are some countries, notably the United Kingdom, who have without calculation or hesitation thrown all they had, including their foreign assets, into the common struggle against our enemies, with the result that they will emerge from the war as heavy debtors on international account. It would be quite unreasonable to ask such countries to assume at once the burden of making their currencies convertible; and in the report I am transmitting to you, arrangements are provided under which this obligation is deferred, without the countries concerned being in

any sense in default of the general obligations they would assume in becoming parties to the Fund Agreement. They do, however, undertake to withdraw exchange restrictions, except on capital transactions, as soon as practicable and to consult with the Fund regarding any which may be maintained after a relatively short period of years.

My second comment relates to the provisions of the Agreement under which members of the Fund may, on specified terms and conditions, purchase foreign exchange for their own currencies in specified amounts. These provisions have given rise to considerable misunderstanding and I think it right to state that the Fund is not regarded, and should not be regarded, as an institution for the provision of long-term capital requirements. The quota of each country should be regarded as an extra reserve to give it confidence to face the uncertain future and not as the primary source of foreign exchange to meet its international commitments. Long-term financing through the Fund must not be practiced, and the Fund Agreement contains provisions designed to this end. A perfect balance will, of course, not be achieved and it would be idle to pretend that there may not, especially in the first few years of the Fund's operations, be some tendency toward meeting other than purely temporary requirements through the Fund. But the Agreement itself makes it clear that "the Fund is not intended to provide facilities for relief or reconstruction". It is intended "to provide members with an opportunity to correct maladjustments in their balance of payments" and "to shorten the duration and lessen the degree" of such maladjustments. In this connection, the Agreement recognizes that creditor as well as debtor countries may be responsible for balance-of-payments difficulties.

I have already said, and repeated, that a wide measure of agreement was found on the three general principles I enunciated. In spite of this, there developed in the deliberations of Commission I, a considerable difference of opinion on detailed provisions. Let me take as an example the important question of exchange stability. There is universal agreement that one of the main purposes of the Fund is "to promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation". The precise provisions to give effect to this purpose were, however, the subject of considerable debate. There were some who attached so much importance to exchange stability that they desired to give the Fund great authority to prevent changes in exchange rates; while others started from the position that this was a matter of sovereign right and that there should be no suggestion of interference on the part of the Fund. In the end a text was developed and incorporated in the Articles of Agreement which steers a course between these two extreme views. All were willing to accept this

middle course. In the text which was developed there is preserved intact the principle that changes in exchange rates are matters of international concern.

And similarly with other important provisions of the Agreement. In passing from the joint statement, which consisted of 39 paragraphs, to the Articles of Agreement, over 130 alternatives were formally submitted and considered; for some provisions as many as 11 alternatives were put forward. In the end, one single text was agreed on for each of the 80 sections and 5 lengthy schedules of the Agreement.

I mention these facts not on account of any interest in the figures themselves but to place clearly on record that the various delegations have been animated by a spirit of accommodation and adjustment, of mutual give-and-take. It is not irrelevant to raise here the question why this should have been so, why the national groups should have been willing to give up positions originally taken on certain issues.

The answer, I believe, lies in the fact that the delegates in the Commission worked with the realization that what was being given up on particular points was small as compared with what might be accomplished, for the general good, through the establishment of a permanent institution for consultation and collaboration on international monetary matters.

I think, too, that the success of the work of Commission I can partly be ascribed to the fact that the delegations have conducted their work with a vivid recollection of the various international economic conferences which took place between the two great wars. There was a general determination to avoid the fate which befell most of these conferences, and to pass from generalizations and exhortations to action. "Too little and too late" has cost us all so much that there was no disposition on the part of any group to fall again into this calamitous error.

The Commission is well aware that timidity still exists in certain quarters and that even now there are those who say "Why take risks?" and who urge us to go back to some monetary arrangements more familiar than those embodied in the report I am transmitting to you. No one would for a moment deny that there are risks involved in the proposals of the Commission, as there are risks inherent in any extension of credit or in any partnership arrangement. But the realistic course is to appraise the risks of any course of action by determining what are the risks of any alternative course of action or, for that matter, of inaction. On this basis, the risks involved in the present proposals are, in my view, not excessive, nor are they risks we should be afraid to assume. They might, at first sight, appear to be greatest for countries which have a surplus in their current account balance of payments. But I venture to submit that it must be borne in mind that if the creditor countries extend credit through the Fund it will in

effect be goods and not money they will be lending; and that it will be open to them, through their own policies, to obtain the return flow of goods to pay off the loans. It is on the basis of pure national self-interest, of an enlightened and far-sighted kind, that these proposals must be presented in the creditor countries. It is not an act of charity to enable one's customers to maintain their purchases in periods when their foreign-exchange resources are temporarily reduced, especially when in the process of doing this one provides opportunities for employment for one's own people.

As for the exhortations to return to the past, the plain and simple answer to that is that, in the matter of monetary arrangements, the recent past is not good enough to go back to and there would be few countries able or willing to do so. We cannot go back. We must go forward.

I thought it right, Sir, in transmitting this report to you, to make these general observations in order to acquaint the Conference as a whole with the spirit which actuated the work of Commission I. In sum, this spirit was one of determination not to repeat the mistakes of the past but to be reasonably and realistically courageous in breaking new ground.

Before concluding, I should like to express appreciation of the great assistance the Commission and its Committees have received from the Secretariat. The Secretaries of the committees and their assistants have discharged their duties with unfailing efficiency and skill. I wish particularly to express my own thanks to Mr. Leroy Stinebower, who served as Secretary of Commission I and as Secretary of the Drafting Committee. He never tired or failed in his efforts to further the work entrusted to him; and the Commission as a whole, as well as I personally, must feel greatly in his debt.

I should like to say one final word. No one in Commission I thinks that if the International Monetary Fund is established, the world's economic problems will have been solved. We have made only a beginning toward accomplishing the objectives set out in the Atlantic Charter and in article VII of the mutual-aid agreements between the United States and many of the countries here represented. But we feel that we have made a good beginning and that what we have done here should clear the way for similar progress in other related fields. Let us hope that the action in these other fields will be as realistic and constructive as the action we have taken at this Conference.

REPORT OF COMMISSION II

(INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT)

TO THE EXECUTIVE PLENARY SESSION

July 21, 1944

Reporting Delegate: Georges Theunis, Belgium

MR. PRESIDENT:

I have the honor to report to the Conference on the work of Commission II, which was set up by the Conference at its plenary session on July 3 to study the proposals for the creation of a Bank for Reconstruction and Development.

The first meeting of Commission II was also held on July 3 and was mainly of a formal character, with the exception of an inspiring address by Lord Keynes and the appointment of an Agenda Committee, which, slightly enlarged, was to become the hard-working Drafting Committee. The Commission met again on July 11. Its chairman, Lord Keynes, proposed a method of work by which the best advantage could be taken of the accomplishment of Commission I while speedy progress was made on the delicate points with which the members of Commission II were confronted.

As in Commission I, the work was divided between four committees, dealing respectively with Purposes, Policies, and Capital of the Bank; Operations; Organization and Management; Form and Status. At the same time, several *ad hoc* subcommittees were created for the purpose of examining points which called for special study and discussion. To these subcommittees the following questions were referred: membership; subscription; rates of capital employable; flat rate of commission; relationship of international agencies; management; suspension and withdrawals; taxation.

Subcommittees—and amongst them the Subscription Committee and the Special Committee on Unsettled Problems—were entrusted with the task of solving the knottier problems. Most of these sub- and *ad hoc* committees were created directly by the Commission, in agreement with the chairman of the committees, and all of them were allowed to report directly to the Commission if it were thought

advantageous. This change of procedure was instrumental in cutting down unnecessary delays. The Commission met nine times and the various committees and subcommittees held numerous meetings.

This afternoon, the Commission adopted the Articles of Agreement of the Bank for Reconstruction and Development, which are attached to the present report and which the Commission requested me to refer for approval to the Plenary Assembly of the Conference.¹

I must call your attention to the fact that the work of Commission II was simpler in some respects and more complicated in others than the work of Commission I. It was simpler because many of the questions relating to general organization, having already been very carefully studied in Commission I, it sufficed, in most cases, either to accept them as they were, or to adapt them to the particular nature of the problems submitted to Commission II. The work was more complicated because, unlike the Fund, the Bank had not been for a long time past under the scrutiny of international research. Years ago, the questions involving exchange stability were already widely discussed both in Europe and in America. Various solutions had been recommended, and procedures of a somewhat primitive and inadequate character had indeed been in operation between the two wars.

The creation of the Bank was an entirely new venture. Never, during the numerous international meetings which over a period of 25 years have studied all sorts of economic problems, was any thought given to an organization so considerable in its scope and so novel in its conception as that which has been the subject of your deliberations. So novel was it, that no adequate name could be found for it. In so far as we can talk of capital subscriptions, loans, guarantees, issue of bonds, the new financial institution may have some apparent claim to the name of Bank. But the type of shareholders, the nature of subscriptions, the exclusion of all deposits and of short-term loans, the non-profit basis, are quite foreign to the accepted nature of a Bank. However it was accidentally born with the name Bank, and Bank it remains, mainly because no satisfactory name could be found in the dictionary for this unprecedented institution.

Here is another example of our difficulties: The International Monetary Fund offered obvious advantages to its members in exchange for their subscriptions. But, to some people, the advantages offered by the Bank were not so obvious at first sight. Having regard to their economic structure, certain countries might justifiably feel that the Bank could not be of assistance to them and that they would not have to resort to such a source of credit. But here an idea comes into play,

¹ Not printed as an annex to this report. See Articles of Agreement of the International Bank for Reconstruction and Development as contained in the Final Act, p. 68.

an idea which I do not need to emphasize to you, Gentlemen, who have long been convinced of its real greatness, but which should be impressed on the mass of the people whom you represent. This idea is the idea of human solidarity.

All those who have given thought to the problems which arise every day in connection with the economic life of a country are aware of the economic interdependence of nations. This interdependence may not be immediately apparent. It is unquestionable, however, that a loan granted to one country from the resources or with the guarantee of the Bank will not be advantageous to that country alone. The loan will enable it to reconstruct its economy, destroyed by war, or inadequately developed. As a result, activity is fostered, needs and requirements are satisfied, purchasing power is increased, new markets are born, and, indirectly, by means of the general flow of international trade, all countries finally benefit by the improvement brought about in the particular country which has obtained a loan through the Bank. In this way, capital which is now in excess in certain countries will again be put to productive use and will find its reward not only in the rate of interest on remunerative investments, but also, indirectly, in the promotion of world prosperity which rich countries themselves need in order to maintain and develop their own well-being.

As I said before, some of the problems met with in drafting the regulations of the future Bank were of an entirely new character—much more so than for the Fund, the studies of which were started two years ago.

This is not meant to detract from the merit of our colleagues who concentrated their attention especially on the Monetary Fund and who, I repeat, have greatly facilitated our work. My only intention is to underline the considerable credit due to Commission II, its committees and subcommittees, which, within a limited period of time, have succeeded in overcoming the difficulties involved and in reaching an agreement on the principles which are to govern the activity of the Bank. This achievement would have been impossible without two distinct elements. The first is the brilliant chairmanship of Lord Keynes. Not only has he greatly contributed to the ideas contained in the Articles of Agreement of the Bank, but he also has kept the proceedings at a brisk pace which the delegates sportingly emulated. The other is the untiring and admirable work performed by the Secretariat under the orders of Dr. Kelchner, and by the secretaries of this Commission: Mr. Uppgren, Mr. Smithies, and Miss Russell. A considerable number of reports, amendments, and other documents were drawn up, copied, and distributed with sufficient promptitude to permit the work to proceed uninterruptedly.

I should now like to call your attention to a few remarks relating more directly to the Bank. As for the purpose of the Bank, it should be noted that the Bank is established both for the reconstruction and for the development of the member countries, and these two objectives are to be pursued on a footing of equality.

On the other hand, the Bank aims at covering a field distinct from the Fund. As Mr. Rasminsky pointed out in his report to Commission I, "the Fund is not regarded, and should not be regarded, as an institution for the provision of long-term capital requirements". The Fund has been created to provide members with an "opportunity to correct maladjustments in their balance of payments" and "to shorten the duration and lessen the degree" of such maladjustments.

On the contrary, when the Bank promotes or supplements private investments either by means of guarantees and participations in private loans or by providing funds out of its own resources, the aim is to provide capital on a long-term or medium-term basis. Precautionary measures, as you know, appear in various provisions of the Agreement to prevent such movements of capital from hampering the economy of the countries concerned.

Next, I turn to the prospective size of the actual subscription. The capital of the Bank is a huge sum and far exceeds anything the world has ever known in this field. The greater part, however, is in the form of a guarantee fund which cannot be called up except over a period of years and the full amount of which we are entitled to hope will never be called up. Careful recommendations have been worked out regarding the operation of the Bank with a view to protecting its resources and its credit. The first payments provided for, though ample for the initial operations, are moderate enough and are within the capacity of all the subscribers.

In spite of the difficulties encountered, I have found at the Conference ground for comfort.

In 1927, I was taking part in an important economic conference in Geneva. A year of preparatory work and several weeks devoted to discussions were needed before it was possible to recommend to the 51 governments represented the economic policy which in the opinion of the Conference was indispensable to restore prosperity. Alas, those recommendations were never implemented! But during the 17 years that have elapsed since 1927, these ideas on economic policy have made good progress and now find a better response. Indeed, at Bretton Woods we have passed the stage of making recommendations of a more or less general nature; we are recommending action. This is evidenced by the important amounts which various countries are contemplating to subscribe and which bear witness to the frame of mind of the delegates at the end of our deliberations.

But don't let us stop with contemplation of the two milestones we have reached on the arduous road which humanity has to cover before reaching the peaceful prosperity to which we all aspire. Even if the Bank and the Fund succeed in their purposes to the full extent of the most favorable expectations, they cannot be sufficient to restore a prosperous world economy. I would go further and say that they could not be successful in a world whose economy remained chaotic in other respects. But they can be and should be the starting point of this restoration.

Before ending my remarks, I should like to pay tribute to President Roosevelt, to his right-hand man in financial matters, Mr. Morgenthau, and to the Government and the people of the United States of America for the initiative taken by this country in launching, with far-sighted vision, the far-reaching plan which inspired the Articles of Agreement of the Bank. A great deal of our appreciation should also go to Mr. Harry White, who was instrumental in giving shape to the plan.

In promoting the ideas of the Bank and of the Fund, and in calling this Monetary Conference, the Government of the United States of America has, on the common peace front of the United Nations, made a contribution which timely complements that of the glorious American armies on the war front. Allies on the battlefield, we must also do our part together in preparing a better world.

I have stressed the importance of the Fund and of the Bank in the material organization of tomorrow, but the moral element which would be expressed in the success of both organizations would be of paramount value. It would mean that before the war is over, men of good will, men coming from all parts of the world, men of different races and creeds, whose countries have different political systems, have agreed and have succeeded in collaborating in heretofore undreamed-of efforts at insuring a better and more secure future for the whole world. The repercussions of such an achievement will be tremendous.

The plans set up at Bretton Woods are not perfect. Even if they were, their forbidding technicalities and the novelty of their thought might be enough to arouse misapprehension. For many years, I have noticed that economic questions, and especially financial matters, are not properly understood by the masses. When you leave Bretton Woods, Gentlemen, your task will not be over. You who can bear witness to the sincerity of purpose which has prevailed at Bretton Woods can also dissipate false alarms, clear up possible misunderstandings, explain the necessary compromises that were made, and, by so doing, act in your respective countries as pioneers of a just and promising international cooperation.

REPORT OF COMMISSION III

(OTHER MEASURES FOR INTERNATIONAL MONETARY AND FINANCIAL COOPERATION)

TO THE EXECUTIVE PLENARY SESSION

July 21, 1944

Reporting Delegate: Edward C. Fussell, New Zealand¹

MR. PRESIDENT:

It is my privilege to report to the Conference on the proceedings of Commission III, which was set up by the Conference at its second plenary session on July 3, to examine any proposals which might be submitted regarding other means of international financial cooperation.

The work of Commission III, unlike that of Commissions I and II, did not represent the culmination of an organized body of preparatory work during a long period before this Conference was convened. Nevertheless the proposals examined by Commission III represent the views of people who had given long and careful thought to the subject-matter of their recommendations.

Furthermore, there was no limit to the number and variety of proposals which could conceivably have been submitted within the Commission's terms of reference; it is therefore a fine tribute to the wisdom and sense of proportion of every delegation that it was found possible to group the proposals under three main headings, to which I shall refer presently.

The Commission has held three sessions under the most excellent chairmanship of the Honorable Eduardo Suárez, Minister of Finance of Mexico, chairman of the Mexican delegation. Though entire unanimity on all points was naturally not to be expected, it was largely due to his leadership and impartiality that the work of Commission III was brought so harmoniously to its successful conclusion. In saying this I am confident that I am expressing the feeling of every member of the Commission.

In order to provide a basis for the Commission's work an Agenda Committee was appointed at the first meeting of the Commission on July 3 to consider the suggestions received and make recommendations as to the problems which should be dealt with by the Commis-

¹ Mr. Fussell acted as reporting delegate in the absence of Mr. Fisher.

sion. During the ensuing week 15 proposals were received by the Agenda Committee. On examination it was found that these proposals related to three general fields of interest:

Firstly—"The Use of Silver for International Monetary Purposes"

Secondly—"Enemy Assets, Looted Property, and Related Matters"

Thirdly—"Recommendations on Economic and Financial Policy. The Exchange of Information, and Other Means of Financial Cooperation"

Accordingly three *ad hoc* committees were appointed to consider the proposals and make recommendations to the Commission.

At its final meeting the findings of the Commission in respect of the reports of the three committees which I have already named were as follows:

- (i) *The Commission adopted the report of Committee 1 on "The Use of Silver for International Monetary Purposes" and recommended that the following statement be included in the Final Act:*

"The problems confronting some nations as a result of the wide fluctuation in the value of silver were the subject of serious discussion in Commission III. Due to the shortage of time, the magnitude of the other problems on the agenda, and other limiting considerations, it was impossible to give sufficient attention to this problem at this time in order to make definite recommendations. However, it was the sense of Commission III that the subject should merit further study by the interested nations."

- (ii) *The Commission adopted two measures placed before it by Committee 2 under the heading of "Enemy Assets, Looted Property, and Related Matters".*

The one is a recommendation reading as follows:

"The United Nations Monetary and Financial Conference recommends the liquidation of the Bank for International Settlements at the earliest possible moment."

The other is a resolution relating to Enemy Assets and Looted Property, and this was adopted in principle and a drafting committee was appointed to make certain language changes and empowered to prepare a resolution for presentation to the Plenary Session of the

Conference. The resolution as submitted by the drafting committee reads as follows:

WHEREAS

In anticipation of their impending defeat, enemy leaders, enemy nationals and their collaborators are transferring assets to and through neutral countries in order to conceal them and to perpetuate their influence, power, and ability to plan future aggrandizement and world domination thus jeopardizing the efforts of the United Nations to establish and permanently maintain peaceful international relations;

WHEREAS

Enemy countries and their nationals have taken the property of occupied countries and their nationals by open looting and plunder, by forcing transfers under duress, as well as by subtle and complex devices, often operated through the agency of their puppet governments, to give the cloak of legality to their robbery and to secure ownership and control of important enterprises in the post-war period;

WHEREAS

Enemy countries and their nationals have also, through sales and other methods of transfer, run the chain of their ownership and control through occupied and neutral countries, thus making the problem of disclosure and disentanglement one of international character;

WHEREAS

The United Nations have declared their intention to do their utmost to defeat the methods of dispossession practiced by the enemy, have reserved their right to declare invalid any transfers of property belonging to persons within occupied territory, and have taken measures to protect and safeguard property, within their respective jurisdictions, owned by occupied countries and their nationals, as well as to prevent the disposal of looted property in United Nations markets;

THEREFORE

It is resolved that, in recognition of these considerations, the United Nations Monetary and Financial Conference

I. Takes note of and fully supports steps taken by the United Nations for the purpose of

(a) uncovering, segregating, controlling, and making appropriate disposition of enemy assets;

(b) preventing the liquidation of property looted by the enemy, locating and tracing ownership and control of such looted property, and taking appropriate measures with a view to its restoration to its lawful owners.

II. Recommends that all Governments of countries represented at this Conference take action consistent with their relations with the countries at war to call upon the Governments of neutral countries

(a) to take immediate measures to prevent any disposition or transfer within territories subject to their jurisdiction of any

- (1) assets belonging to the Government or any individuals or institutions within those United Nations occupied by the enemy; and
- (2) looted gold, currency, art objects, securities, other evidences of ownership in financial or business enterprises, and of other assets looted by the enemy;

as well as to uncover, segregate and hold at the disposition of the post-liberation authorities in the appropriate country any such assets within territory subject to their jurisdiction.

(b) to take immediate measures to prevent the concealment by fraudulent means or otherwise within countries subject to their jurisdiction of any

- (1) assets belonging to, or alleged to belong to, the Government or any individuals or institutions within enemy countries;
- (2) assets belonging to, or alleged to belong to, enemy leaders, their associates and collaborators, and

to facilitate their ultimate delivery to the post-armistice authorities.

(iii) *The Commission adopted the report of Committee 3 on "Economic and Financial Policies, Exchange of Information, and Other Means of Financial Co-operation."*

Of the matters considered by Committee 3 two were subject to specific discussion and vote by the Commission.

The first was a resolution combining the proposals submitted by Bolivia, Brazil, Chile, Cuba, and Peru. The text of the resolution, which was adopted by the Commission, is as follows:

WHEREAS

In Article I of the Articles of Agreement of the International Monetary Fund it is stated that one of the principal purposes of the Fund is to facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy;

WHEREAS

It is recognized that the complete attainment of this and other pur-

poses and objectives stated in the Agreement cannot be achieved through the instrumentality of the Fund alone;

THEREFORE

The United Nations Monetary and Financial Conference recommends to the participating Governments that, in addition to implementing the specific monetary and financial measures which were the subject of this Conference, they seek, with a view to creating in the field of international economic relations conditions necessary for the attainment of the purposes of the Fund and of the broader primary objectives of economic policy, to reach agreement as soon as possible on ways and means whereby they may best:

- (1) reduce obstacles to international trade and in other ways promote mutually advantageous international commercial relations;
- (2) bring about the orderly marketing of staple commodities at prices fair to the producer and consumer alike;
- (3) deal with the special problems of international concern which will arise from the cessation of production for war purposes; and
- (4) facilitate by cooperative effort the harmonization of national policies of Member states designed to promote and maintain high levels of employment and progressively rising standards of living.

The second matter voted on was a resolution introduced by the Australian delegation recommending that the governments invited to accept the International Monetary Agreement be invited to enter, at the same time, into an undertaking to maintain high levels of employment in their respective countries. A motion for adoption of the Australian resolution was defeated.

I cannot end this report without placing on record the value of the ready help so willingly given to the Commission and its committees by the Secretariat. I should like also to pay a tribute to the consistently high standard of performance of the officers and personnel of the committees, notably Mr. Orvis A. Schmidt, who was Secretary not only of the committees, but also of Commission III.

To conclude this report, and in order to place the deliberations of Commission III in perspective, I should like to say that they are supplementary to the reports of Commissions I and II, but in common with the work of those Commissions they deal with financial measures which do not by any means exhaust the efforts and endeavors which must be made in bringing to fruition a grand scheme of world prosperity.

