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**WAR CABINET.**

**THE BRETTON WOODS CONFERENCE.**

**MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER.**

I should like my colleagues to be aware of the position regarding the proposals of the Bretton Woods Conference for setting up an International Monetary Fund and an International Bank for Reconstruction and Development.

2. The President has sent a Message to Congress covering a financial programme which would include approval of both projects. We are advised from Washington that a Bill will be presented accordingly about the end of January, and will be referred to the appropriate Committees, which will probably begin hearings early in February. These may last three months, during which evidence may be taken in public session from experts and organisations interested.

3. Repeated pledges have been given to the House of Commons that the Government will take no further commitment without a Debate; opinion in the House would, I think, be disappointed if a Debate is unduly deferred and I have already been informed that an early debate is expected. Yet the course of such a Debate, in which there will be criticism of the proposals, might have repercussions on the proceedings in Washington, just as those proceedings might have repercussions on a Debate held subsequently in Westminster.

4. It is impossible to foretell what Congress will do. If they accept the Bretton Woods proposals as they stand, which is what the Administration seek to secure, we might, if we have had no previous Debate, be in a rather awkward position, since it would be very difficult at that stage to give effect to any views subsequently expressed by the House. If, on the other hand, Congress insists on making amendments to the proposals, that will create a new situation which will have to be considered when the time comes.

5. In my view, the wise course would be to face an early Debate in the House on a Government Resolution which would not commit us to final acceptance of the Bretton Woods proposals, but would secure approval of the principles involved, so that we should have some liberty of action in the event of Congressional amendments. A draft of such a Resolution is attached. I must add that it would be open to the critics to put down an Amendment which might well take the form of declining to give approval to the scheme until the lines of agreed commercial policy had been determined.

6. On this I would make only this comment. It can, I think, be represented that unless the United States is going in practice to behave like a big creditor nation and import goods from the rest of the world, as well as lend money, schemes for machinery for maintaining equilibrium in the Balance of Payments might easily break down again. We are obviously far away from a formal agreement on Commercial Policy but the indications from the talks proceeding between Mr. Hawkins and officials of the Board of Trade, the Treasury, Ministry of Agriculture and the Economic Section, are that the State Department at least contemplates a large and early reduction of American tariffs and does recognise that the quickest contribution that the United States can make to the restoration of world trade is to take imports and pay for them.

7. Whether the connection between Commercial Policy and the Bretton Woods scheme is as close as is represented in some quarters, this at least can be claimed for the Bretton Woods document. The United States Government is committed to putting at the disposal of the world a substantial number of dollars, and what is more, under the Scarce Currency Provisions of the International Monetary Fund, formal recognition is given of the right to other countries to discriminate against American exports if America's commercial and lending policy does not put sufficient dollars at the disposal of the world to pay for American exports. In the second place, and this is in some respects the most important immediate factor, the International Monetary Fund document recognises that in the transitional period a country whose Balance of Payments is in a state in which ours will be, must have complete freedom in the management of its exchanges and consequently in the management of its Import and Export Policy. The American Treasury understand the inevitability of discrimination in this situation. The American State Department do not understand it equally clearly and it is essential for us to refer to this formal recognition of our rights in the transitional period which, in the Bretton Woods document, will not be less than five years. I am certain that we shall get nothing better out of any Commercial Convention, and might indeed be pressed to accept something worse. Finally, we must recognise that to the extent to which we may need help from the United States Government in the immediate years after the war, it is the United States Treasury which most clearly understands our problem. Mr. Morgenthau, who served us well in the recent negotiations in Washington, has put his personal credit at stake in his attempt to secure the approval of Congress and American opinion to the principles in the Final Act. I am afraid he would regard it as a stab in the back if we were to withhold support for this project; and I submit that such a course would be justified only if we felt that the Final Act was seriously inimical to our interests, both in the transition and in the long-term. I have given anxious thought to this question and I cannot find anything in the Final Act which I can regard as dangerous to our interests and therefore not justifying me in urging my colleagues to agree to the suggested Resolution of general approval.

J. A.

*Treasury Chambers,  
22nd January, 1945.*

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## ANNEX.

### DRAFT RESOLUTION.

That this House approves the policy of the Government in seeking, through the machinery proposed by the United Nations Monetary and Financial Conference, stable monetary arrangements for the furtherance of international trade; an orderly system for the adjustment of exchange rates; the provision of means to assist countries in temporary difficulties in their balance of payments, and the progressive convertibility of national currencies, subject to due safeguards for the special difficulties of the transitional period; it also approves the setting up of an International Bank for Reconstruction and Development which will facilitate the provision of international loans for the reconstruction of countries damaged by the war, and for the development of less developed countries.

G. R.

