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QUOTAS  
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CAPITAL

# THE BRETTON WOODS TRANSCRIPTS

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# **The Bretton Woods Transcripts**

**Edited by**

**Kurt Schuler  
and  
Andrew Rosenberg**



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**NEW YORK**

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## Preface

by Jacques de Larosière and Steve H. Hanke

It has been almost seventy years since Bretton Woods, New Hampshire hosted one of the world's most important financial conferences. The Bretton Woods conference was a star-studded affair — one in which the postwar rules of the game for a new monetary order were hammered out, and one that gave birth to the International Monetary Fund and the World Bank. It is, therefore, remarkable that the Bretton Woods transcripts have never seen the light of day.

Indeed, for decades the transcripts had gone unnoticed, collecting dust in the library of the U.S. Treasury, until they were uncovered by Kurt Schuler. We owe him a debt of gratitude for this discovery, and for his painstaking work. Schuler, along with his coeditor, Andrew Rosenberg, has done a superb job in putting this treasure trove in shape for publication. Even though there have been thousands and thousands of pages written about the Bretton Woods conference, nothing beats the transcripts for a first-hand feel of what transpired.

In a matter of three short weeks, in July 1944, an enormous amount of high-quality output was produced. The transcripts tell the tale. What they don't tell is that a great deal of preparation preceded Bretton Woods. Indeed, the conference and its output did not just appear out of thin air.

In 1941, John Maynard Keynes of the United Kingdom and Harry Dexter White of the United States produced drafts of their respective visions for a postwar international monetary order. These were each revised and published, in 1943. Then, in consultation with other experts, a "Joint Statement" was issued in 1944, prior to the Bretton Woods conference. Importantly, a preparatory conference was held in Atlantic City, New Jersey, during the last half of June 1944, just before Bretton Woods. When the delegates, who represented 44 countries, arrived at Bretton Woods, the substantive ground had been well prepared. No organizational or staffing detail had been overlooked, either.

The conference was divided into three commissions. Commission I dealt with the International Monetary Fund. It was chaired by White, who was impressively assisted by Edward Bernstein from the U.S. Treasury. Commission II, chaired by Keynes, was responsible for the World Bank. Commission III focused on other means of international cooperation and was chaired by Eduardo Suárez of Mexico.

The assignments of the delegates and staffs were carefully thought out in advance, resulting in a well-oiled, efficient conference. The atmosphere was collegial, with about half of the countries represented participating quite actively. When it came to the 178 delegates, the "80-20 rule" prevailed, with only about 20 percent of the delegates providing 80 percent of the substantive contributions. It should be noted that a number of those represented the relatively small countries of Belgium, Cuba, New Zealand, and Norway. Also active were three representatives from India, which still had a colonial status. Another colony, the Philippine Commonwealth, was also represented. France — actually the *Gouvernement provisoire de la République française* (GPRF), which was formed right before Bretton Woods, but not recognized by the Allies until October 1944 — was actively represented by Pierre Mendès-France, who went on to become France's prime minister. So, there was a wide range of representation.

There was also a great deal of leadership on display by the host country. The United States counted 12 delegates, and four of the 12 were quite active. In addition, the U.S. technical staff

numbered 33 — by far the largest at the Conference. And, unlike those from any other country, five members of the U.S. technical team were active conference participants. If that wasn't enough, the 39 members of the conference secretariat were all Americans. In addition to preparation, staffing, and organization, America's leadership role was enhanced by the fact that the United States held almost 60 percent of the world's monetary gold at the time.

The organization of the conference facilitated a fast pace. The chairmen of the commissions, with their intelligent use of the committee structure, placed a premium on speed and took every opportunity to use it. Nowhere was this more evident than in Commission II, chaired by Keynes. He presided over very brisk meetings, in which matters were voted on rapidly, or dispatched to committees for further work, before time was wasted on premature discussion.

That said, the conference was punctuated by vigorous and substantive debate. For example, there was considerable discussion about whether the International Monetary Fund would be engaged in facilitating the settlement of war debts; led by the United States and the United Kingdom, the conference ultimately rejected this idea. Another example involved the USSR, which was opposed to reporting requirements for gold holdings and a number of other economic statistics. Again, led by the United States and the United Kingdom, transparency and full reporting won the day. The USSR was also opposed to the idea that "moderate immigrant remittances for family living expenses" would be free from capital controls; China made the most eloquent arguments against the Soviet position, and immigrant remittances remained unimpeded by controls.

Certain debates were, by today's light, quite modern. Many of what today would be described as emerging-market countries wanted larger quotas (more voting power), and they also wanted to have their gold contribution reduced from 75 percent of their obligations to 50 percent (a lower entry fee). These proposals were actively debated, and eventually voted down, as was a proposal put forward by Egypt to establish regions, such as the Middle East and Latin America, which would have their own executive directors within the International Monetary Fund. *Plus ça change, plus c'est la même chose.*

In reading *The Bretton Woods Transcripts*, we were struck by the fact that the deliberations were not simply driven by the events of the day. Indeed, the conference and its participants proceeded like a well-balanced river approaching a well-defined delta. Many of the distinguished conference personalities moved seamlessly from Bretton Woods to the highest ranks at the International Monetary Fund and the World Bank. For example, the Fund's first Managing Director, Camille Gutt (Belgium) was a Bretton Woods veteran, and he was not alone. Over 35 high positions at the International Monetary Fund were filled, at one time or another, by Bretton Woods veterans, and the World Bank eventually counted 30 conference veterans in its highest ranks. These men presided over an international monetary order, established at Bretton Woods, that endured for more than a quarter of a century.

Bretton Woods was the result of a perfect storm: some big problems; a set of ideas that attracted a consensus; a group of prepared and capable participants; and a leader, namely the United States, that was prepared to lead. Today, we don't see such a perfect storm on the horizon. But, then again, we don't claim to be weather forecasters, either.

September 2012

*Jacques de Larosière was Managing Director of the International Monetary Fund from 1978 to 1987. He was also formerly Undersecretary of Monetary Affairs in the French Treasury (1974–1978), Governor of the Banque de France (1987–1993), and President of the European Bank for Reconstruction and Development (1993–1998). He is currently Chairman of Eurofi in Paris. Steve H. Hanke is Professor of Applied Economics at The Johns Hopkins University in Baltimore and Special Counselor at the Center for Financial Stability in New York.*

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Andrew Rosenberg is a research associate of the Center for Financial Stability. During his initial work on this volume, he worked as an intern at the Cato Institute in Washington, D.C. for Steve H. Hanke, who is a Senior Fellow there. He has a B.A. in economics from Washington University in St. Louis.

The views here are ours alone and should not be attributed to the institutions we are connected with.

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