

## THE UNITED STATES AND THE ACTIVATION OF THE BRETTON WOODS INSTITUTIONS

800.515/12-1345: Circular telegram

*The Acting Secretary of State to Certain Diplomatic Missions*<sup>1</sup>

WASHINGTON, December 13, 1945.

Please communicate the following to the Government to which you are accredited in the most expeditious manner possible:

"In view of the desirability of having the Bretton Woods Agreements<sup>2</sup> signed by December 31, 1945, it is a matter of great importance that prior to that date those countries which intend to become original members of the Fund and the Bank comply with the procedures set forth in the Articles of Agreement.

"The US intends to sign the Agreements on Dec 27, 1945,<sup>3</sup> and

<sup>1</sup> Missions accredited to governments which had signed the Final Act of the Bretton Woods conference. On December 14, 1945, the Department sent a circular note which contained the substance of this telegram to the foreign missions, located in Washington, whose governments had been so informed.

<sup>2</sup> For documentation on these, as well as on Articles of Agreement of the International Monetary Fund, and the Articles of Agreement of the International Bank for Reconstruction and Development (hereafter called the Fund and Bank, respectively) and the conference itself see *Foreign Relations*, 1944, vol. II, pp. 106 ff. For other documents relating to the conference, see Department of State Publication no. 2866, *Proceedings and Documents of the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, July 1-22, 1944* (2 vols; Washington, Government Printing Office, 1948). The Final Act is document 492 *ibid.*, vol. I, p. 927. Each of the Bretton Woods institutions was of interest to the United States: Among the Fund's objectives was the promotion of exchange stability, the expansion of international trade, the maintenance of high levels of employment, and the general promotion of international monetary cooperation.

<sup>3</sup> Actually when the Bretton Woods Act became law on July 31, 1945 (59 Stat. 512), President Truman was "authorized to accept membership for the United States" in the Fund and in the Bank.

At about the same time, Department officials discussed the question as to when the United States ought to officially commit itself to membership in the Fund and in the Bank. In a memorandum, dated July 28, 1945 to Secretary Byrnes (800.515 BWA/7-3145) Assistant Secretary Clayton said:

"Dean Acheson [Assistant Secretary] has called my attention to a problem in connection with the Bretton Woods agreements. As soon as the President signs the bill, the United States will be in a position to accept the agreements. It seems to Dean Acheson and me, however, that it would be better for us not to accept them until the other principal financial countries are also prepared to sign. In this way we would accomplish simultaneous acceptance by members having 65% of the quotas and the two institutions could be immediately organized.

"If you and the President believe that this is the proper way to proceed, I can request Mr. Acheson to inquire of the principal financial countries when they will be able to accept the agreements and invite them to join the United States in signing."

In a handwritten note Secretary Byrnes added: "For the President. I have told Clayton to proceed, as suggested" signed J.F.B. The suggestion was approved by President Truman on July 31, 1945. This exchange took place at Potsdam, Germany, at the time of the Berlin Conference.

your Govt is invited to join with the Govt of the US in the ceremony of signature which will take place on that day. All of the other nations which signed the Final Act of the Bretton Woods conference are being invited to participate in that ceremony.

"It is suggested that your Govt may wish to have someone in your Mission in Washington discuss at the earliest possible date matters respecting signature and acceptance of the agreement. Concerning matters not procedural in character information may be obtained from Mr. Emilio G. Collado of the State Dept or Mr. Ansel F. Luxford of the Treasury Dept. With respect to procedural questions relating to the signing ceremony and deposit of instruments inquiry can be made of Mr. Merrill S. Potts of the Treaty Branch of the State Dept.

"Your Govt should be prepared to take the following action with regard to signature of the agreements:

"(1) It should authorize a person in the US to sign the Articles of Agreement of the International Monetary Fund and the Articles of Agreement of the International Bank for Reconstruction and Development which are deposited in the State Dept of the US at Washington.

"(2) It should deposit with the State Dept of the US an appropriate instrument of acceptance of the Articles of Agreement as provided for in Article XX, Section 2(a) of the Fund Agreement and Article XI, Section 2(a), of the Bank Agreement.

"(3) It should transmit to the Govt of the US 1/100 of 1 percent of its total quota to the Fund and 1/100 of 1 percent of its total subscription to the Bank. These payments are to be made in gold or in United States dollars. You will probably find it most desirable to have a check or draft in favor of the Govt of the US of America drawn on one of your Govt's dollar accounts in the US. Such check should be delivered to the State Dept at or before the time of signature. For your Govt the payment required with respect to the Fund is . . . . . and with respect to the Bank is . . . . . Thus the check should be in the amount of . . . . ."<sup>4</sup>

ACHESON

800.515/12-1945

*Press Release No. 944 Issued by the Department of State, December 19, 1945, Regarding the Signing of the Bretton Woods Agreements*

The signing of the Bretton Woods Fund and Bank agreements is scheduled to take place on Thursday, December 27, 1945 in the De-

<sup>4</sup> Each message was transmitted with the appropriate quota items filled in. The amounts had been calculated on the percentage (cited above) of the original quotas listed in the schedules included in the Final Act of the Bretton Woods Conference.

partment of State on behalf of the United States of America and of such of the other countries signatory to the Final Act of the United Nations Monetary and Financial Conference held at Bretton Woods in July 1944 as are prepared to sign those agreements on that date. The Secretary of the Treasury, Fred M. Vinson, has been authorized by the President to sign the two agreements on behalf of the United States.<sup>5</sup>

China, Czechoslovakia, Egypt, Ethiopia, the Philippine Commonwealth, and the Union of South Africa have already indicated their readiness to sign the agreements, and acceptance by Great Britain appears to be assured in view of the favorable action taken by Parliament. The Department is also informed that Belgium, Canada, Colombia, Cuba, Ecuador, Guatemala, France, the Netherlands, Venezuela, and Yugoslavia may be prepared to sign the agreements with the United States, and that by December 27 a number of other countries will probably accept them.

Participation by the United States in the Fund and Bank is authorized by the Bretton Woods Agreements Act approved July 31, 1945 (Public Law 171, 79th Congress).<sup>6</sup> Similar legislation has been passed by the Philippine Congress and was approved by President Truman on November 20, 1945.

Each of the agreements provides that it shall enter into force when duly executed on behalf of governments having 65 percent of the total of the quotas or subscriptions set forth in Schedule A thereof. Forty-four of the 45 countries listed in those schedules, including the United States, are those which signed the Final Act of the United Nations Monetary and Financial Conference at Bretton Woods, New Hampshire, on July 22, 1944. No quota in the Fund or subscription to the Bank has as yet been fixed for Denmark, the forty-fifth country.

The total of the quotas for the Fund is \$8,800,000,000 and the total

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<sup>5</sup> The U. S. instruments of acceptance in the Fund and Bank were deposited on December 20, 1945. For texts of the agreements, see *Treaties and Other International Agreements Series (TIAS) No. 1501*, or 60 Stat. (pt. 2) 1401, and *ibid.*, No. 1502, or 60 Stat. (pt. 2) 1440.

<sup>6</sup> 59 Stat. 512. It should be noted that the Act also forms the statutory basis for the establishment of the National Advisory Council on International Monetary and Financial Problems (hereafter referred to as the National Advisory Council). The statute, in section 4, directed the Council "to coordinate the policies and operations of the representatives of the United States on the Fund and the Bank and of all agencies of the Government which make or participate in making foreign loans or which engage in foreign financial, exchange or monetary transactions. . . ." The Council was to make recommendations to the President and to submit both special and semi-annual reports.

The statutory members of the Council consisted of the Secretary of the Treasury, as chairman; the Secretary of State; the Secretary of Commerce; the Chairman of the Board of Governors of the Federal Reserve System; and the Chairman of the Board of Trustees of the Export-Import Bank of Washington.

of the subscriptions to the Bank is \$9,100,000,000. Sixty-five percent of those amounts would be, respectively, \$5,720,000,000 (Fund) and \$5,915,000,000 (Bank). The aggregate quotas and aggregate subscriptions of the countries indicated above are considerably more than the 65 percent of the total of the quotas and of the subscriptions, respectively, necessary to bring the two agreements into effect.

It is provided in each of the agreements that as soon as it enters into force each member country shall appoint a governor to the Fund and to the Bank, and that the first meeting of the Board of Governors of the Fund and the Board of Governors of the Bank shall be called by the member having the largest quota or the largest subscription, as the case may be, thus inaugurating the Fund and Bank. The quota and the subscription of the United States are the largest of those fixed for the Fund and Bank, respectively.

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[The Bretton Woods Agreements entered into force on December 27, 1945 when in a "ceremony of signature" representatives of the following nations signed the Fund Agreement: Belgium, Bolivia, Brazil, Canada, China, Colombia, Costa Rica, Czechoslovakia, Ecuador, Egypt, Ethiopia, France, Greece, Guatemala, Honduras, Iceland, India, Iraq, Luxembourg, The Netherlands, Norway, Paraguay, The Philippine Commonwealth, Poland, the Union of South Africa, the United Kingdom, the United States, Uruguay, and Yugoslavia. All of the above with the exception of Colombia signed the Bank Agreement at the same time.]

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800.515/12-3145: Telegram

*The Chargé in the Soviet Union (Kennan) to the Secretary of State*

RESTRICTED  
PRIORITY

Moscow, December 31, 1945—6 p. m.  
[Received December 31—1:44 p. m.]

4335. ReEmbs 4232, December 20.<sup>7</sup> Have just received letter from Molotov in reply to Ambassador's letter of December 20 concerning Bretton Woods invitation. In this communication Molotov states that "Soviet Government does not find it possible at present time to sign the draft agreement drawn up at Bretton Woods concerning the creation of an international monetary fund and concerning an international bank for reconstruction and development. The Soviet Government finds it necessary to subject the questions touched upon in

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<sup>7</sup> Not printed; Molotov was Soviet People's Commissar for Foreign Affairs.

these drafts to further study in the light of those new conditions of the economic development of the world which are forming themselves in the postwar period.”<sup>8</sup>

KENNAN

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800.515 BWA/1-2646 : Circular telegram

*The Secretary of State to Certain Diplomatic Missions*<sup>9</sup>

US URGENT            NIACT            WASHINGTON, January 26, 1946—8 a. m.

The United States is directed by the terms of the Bretton Woods Agreements to call the first meetings of the Boards of Governors of the Bank and the Fund. The Agreements have now come into effect by the necessary number of signatures and you are requested to deliver the following invitation to the government to which you are accredited as soon as possible.

“The Articles of Agreement of the International Monetary Fund and the International Bank for Reconstruction and Development have come into force and the Government of the United States, as the member having the largest quota in the Fund and the largest number of shares in the Bank, has the honor of inviting your government to arrange for your Governor of the Fund and of the Bank to attend the first meetings of the Boards of Governors. The meetings will be held at Wilmington Island, near Savannah, Georgia, on March 8, 1946 for the purpose of establishing the two institutions.<sup>10</sup>

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<sup>8</sup> The Department's reaction to the Soviet refusal is described in the following extract from the Department of State classified information bulletin *Current Economic Developments* (Issue 31, dated Jan. 21, p. 3) :

“The Department has replied to the Embassy at Moscow on the Embassy's explanation of the Soviet's failure to sign the Agreements. While we are concerned at Soviet failure to ratify, because of the possible implications as to Russia's interest in international economic collaboration, we feel that no pressure should be exerted to get them to join and that the impression should not be given them that possible adherence would be making a concession to the United States.

While the Embassy pointed out that Soviet participation in the Bretton Woods negotiations did not necessarily indicate intention to join and could be explained by Molotov's statement to Ambassador Harriman on April 20, 1944, that participation in the work was for the sake of maintaining the appearance of tripartite collaboration, the Department feels that subsequent Soviet actions in Washington and at Bretton Woods, including dramatic last-minute acceptance of the increased Bank quota, are difficult to explain unless at that time the Soviets intended to join. The Department feels that there is still a possibility that the Soviets may adhere, depending particularly on the possibility of obtaining credits. We also believe that if the USSR remains a non-participant it may make difficult the extension of an Eximbank credit. Any initiative on loan questions will be left to the Soviets.”

<sup>9</sup> Sent to officers at Missions in countries which had signed the agreement. A circular telegram was sent to officers of Missions in countries which had not signed the agreement, inviting their governments to send observers.

<sup>10</sup> An abbreviated list of the subject matter which the meetings were expected to consider may be found in the Department of State *Bulletin* March 3, 1946, p. 331.

"It is the expectation of the Government of the United States that the business of the Boards of Governors can be concluded within a two-week period and arrangements have been made for the accommodation of the Governors and those who accompany them for that period of time. Shortly after the conclusion of the meetings of the Boards of Governors it is expected that the Executive Directors of each institution will begin to function at or near the site selected for the principal office of the Fund and the Bank.

"My Government intends to suggest the adoption of a resolution by the Board of Governors of each institution permitting the admission to membership during a limited period of time of those countries listed in Schedule A<sup>41</sup> of each of the Articles of Agreement on the terms set forth in the Articles of Agreement on the terms set forth in the Articles of Agreement. It is our hope that some or all of these governments may be in a position to become members of the Fund and the Bank with sufficient speed to permit them to participate in the first meetings of the Boards of Governors, and we are inviting them to have observers in attendance at these meetings.

"The Government of the United States would appreciate it if you could advise us promptly as to the number of persons representing your government who will attend the first meetings of the Boards of Governors as well as the date and place of their arrival in the United States."

*Important for the Information of the Mission*

An announcement concerning the extension of the invitations will be made at Washington at 11 o'clock Eastern Standard Time on the morning of Monday, January 28. Simultaneously, informative notes will be delivered to the respective missions at Washington. In order to avoid any possibility of premature announcement abroad, you are requested to deliver the note containing the foregoing text as near as possible or feasible to the Washington release hour. Caution should be exercised of course to assure delivery of invitation prior to the arrival of press despatches from Washington.

Owing to the shortness of time, it is essential that the Department obtain immediately at least a rough estimate of the maximum number of persons from each country for whom hotel accommodations may be required. Please endeavor to obtain this information informally and telegraph it at once. Following this, more detailed information will be required concerning individuals and their travel plans. Please telegraph name, title, and delegation function of each individual, including subordinate personnel, and also mode of travel and date and port of entry into the United States. Delegation members should be reminded of the necessity for carrying on their persons suitable

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<sup>41</sup> Schedule A in each of the Bretton Woods Agreements is a list of assigned quotas in the Fund and subscriptions to the Bank, determined for those nations in attendance at the 1944 monetary conference.

credentials identifying them with the meetings. The above points are essential in facilitating entry.<sup>12</sup>

BYRNES

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[The Inaugural Meetings of the Boards of Governors of the Fund and the Bank were held at Savannah, Georgia, March 8 to 18, 1946. Important questions settled at these meetings concerned the adoption of by-laws, the location of the principal office of the two institutions, and the salary scale of the executive directors.

The First Annual Meetings of the Boards of Governors of the Fund and the Bank were held at Washington, D. C., September 27 to October 3, 1946.

Before either institution could begin actual operations initial par values for each member's currency had to be set in the case of the Fund, and in the case of the Bank principles had to be worked out respecting the drawing-upon of national quotas for loan purposes. In both instances internal decisions within the United States Government (the National Advisory Council) had a vital bearing on the outcome. For a table enumerating the initial par values established for the national currencies of 32 of the 39 members of the International Monetary Fund on December 18, 1946, see J. Keith Horsefield (editor), *The International Monetary Fund, 1945-1965: Twenty Years of International Cooperation* (3 vols.), Volume II: *Analysis* (International Monetary Fund, Washington, D.C., 1969), p. 84. The par values of each currency were to be expressed "in terms of gold as a common denominator or in terms of the United States dollar of the weight and fineness in effect on July 1, 1944" (i.e., \$35 an ounce price of gold). The initial par value set for the United States dollar on December 18, 1946 was 100.000 United States cents per dollar.

A related concern pertained to the assent by the United States to the Bank's raising funds through the sale of its obligations on the U.S. market in the amount of 500 million dollars.

Published documentation regarding the formal meetings referred to may be found in the series of reports of meetings and annual reports initiated by the two institutions in 1946. In respect of the Savannah meetings unpublished documentation in the Department of State's unindexed files may be found in several office lot collections, chiefly Lot 54-D84. Relevant documentation (minutes, staff documents, supporting documents) of the National Advisory Council is found in the Department's unindexed files, Lot 60-D137, Boxes 1 and 8.]

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<sup>12</sup> A list of those who formed the U.S. Delegation at Savannah is to be found in the Department of State *Bulletin*, March 17, 1946, p. 433. It may be noted, however, that several of the delegates were unable to attend the conference. Among those attending were Fred M. Vinson (Secretary of the Treasury) who had been named United States Governor of the International Monetary Fund, and United States Governor of the International Bank; Harry Dexter White, Assistant Secretary of the Treasury, was appointed United States Executive Director of the Fund; and Emilio G. Collado, who had been Deputy on Financial Affairs to the Assistant Secretary of State, was named United States Executive Director of the Bank. These nominations had been confirmed by the Senate on February 6, 1946 (*ibid.*, February 17, 1946, p. 262).