Reivew of The Bretton Woods Transcripts

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Richard N. Cooper, Harvard University

The famous Bretton Woods conference was held in New Hampshire in July 1944, attended by representatives from 44 nations with the objective and the result of designing an international monetary and financial system for the post World War II era. "Bretton Woods," like the Marshall Plan, has become a metaphor for a major international success, in this case resulting from a formal conference. There have been many calls for a "new Bretton Woods" since then, most recently in 2011 by President Sarkozy of France, to revamp or at least to improve the international monetary system.

The context of the 1944 conference is important. There was a war on. The turning points in the war came in late 1942 at Stalingrad, Guadacanal, and North Africa, where the offensives by Germany, Japan, and Italy were definitively blunted. But it was still 10-13 months before their final defeat. When the conference opened on July 1, France had begun to be liberated from German occupation three weeks earlier, and Japan's inner defense perimeter had been breached with the invasion of Saipan in the Marianas. But Anglo-American planning for the postwar international monetary system had been started over two years earlier, when the United Nations (as they had come to be called) were still very much on the defensive. It was a measure of the confidence of Franklin Roosevelt in the ultimate outcome of the war that his administration began systematically to plan for postwar arrangements. Winston Churchill was more skeptical of any attention diverted from maximizing the war effort, but tolerated the forward-looking John Maynard Keynes and his team (which included Lionel Robbins, James Meade, and Richard Stone) in the UK government. It was during this period too that planning began for what later became the United Nations Organization and postwar arrangements for international trade, eventuating in the General Agreement on Tariffs and Trade after the International Trade Organization was killed by a Republican-dominated US Senate.

Much has been written about the Bretton Woods conference, its antecedents and successors (see especially the classic book by Gardner and the much more recent one by Steil). But the actual transcripts of the Conference lay passively in US Treasury archives for over sixty years. They are here published for the first time. Despite yeoman work by the editors to help make them more accessible through a fine introduction and insertions and cross-references, they make difficult and for non-specialists disappointing reading. The transcripts themselves reflect write-ups of stenographic notes of the actual discourse in the meetings of the main committees and sub-committees, along with minutes of other meetings, and they reflect the disjointedness of any dialogue among many parties, even in tightly run meetings.

There were 359 persons present in the Conference (including 39 conference staff and 10 observers), of which 41 from 21 countries were active participants in the discussions. (This compares with several thousand persons accredited to many UN conferences these days.) While Americans and Britons dominated the meetings, which were focused on documents that had been drafted in an immediately preceding inter-governmental meeting in Atlantic City, and that in turn reflected two years of trans-Atlantic dialogue, numerous changes were made in response to proposals from others. Decisions were made by consensus rather than by formal votes (on pronouncement by the chairman that there were no strong objections), a procedure that is still usefully used in the International Monetary Fund and the World Bank today, but is less useful in larger UN conferences where a few strong objectors – on whatever grounds – can block action. The USSR was represented at Bretton Woods and signed the agreement, but declined later to ratify the agreement and did not join the IMF or the IBRD.

The main purpose of the conference had been to establish the rules for exchange rate management and the creation of what became the International Monetary Fund (IMF) to oversee and facilitate the rules. But there was so much consensus at the Atlantic City meeting on the need for official support for international capital flows after the war that what became the International Bank for Reconstruction and Development (IBRD, known these days with its sister institutions as the World Bank) was added to the agenda.

Keynes was no doubt the most luminous figure at the Conference, which was chaired by the US Secretary of Treasury Henry Morganthau and included Harry Dexter White, his subordinate who was the main architect of the IMF Agreement, and Dean Acheson, who was the principal US negotiator on the IBRD. But the attendees included many other luminaries, seven of whom later became presidents or prime ministers of their countries, many of whom became finance ministers or central bank governors, and many of whom later occupied important positions in the IMF and the World Bank.

Curiously, Keynes appears very little in the transcripts, although his role by all testimony was critical outside the formal meetings. He chaired the committee on the IBRD, which he ran efficiently to the point of brusqeness, but left to others British contributions to discussions on the IMF, which was his real interest, and over which he lost most of his substantive battles with White (see Steil).

Economists interested in substantive issues will largely be disappointed by the transcripts. As noted, much preparatory work had already been done, and by the Conference most of them seem to have been decided already, or were neglected. For example, countries were to fix the parities of their currencies, implying fixed exchange rates with little room for variation around parity. No one discussed floating exchange rates, experience with which in the early 1920s and again in the 1930s had recently been documented and thoroughly condemned by Ragnar Nurkse (who attended the Conference as an observer from the League of Nations). “Flexibility” in exchange rates meant the conditions under which parities could be changed, and on who’s authority, not market flexibility. Again with the interwar experience in mind, the desirability for national controls on international movements of capital was widely accepted. A source of discussion was whether remittances, especially important to India, should be considered current or capital transactions; the former won out.

The transcripts largely cover procedural decisions: the allocation of controversial issues to ad hoc subcommittees for which transcripts do not exist, followed by reports back to senior committees which approved (or, more rarely, disapproved) the language agreed upon in the sub-committees.

More interesting perhaps are the issues raised but not covered in the final agreement. Mexico proposed an active role for silver in the international monetary system. Australia proposed that all member countries accept an international obligation to maintain a high level of employment. Egypt, strongly supported by India, proposed to make fully convertible the large sterling balances accumulated (mainly by British dependencies) during the war. Poland proposed to make international rules regarding the restoration of property that was looted or confiscated during the war. Norway proposed to abolish the Bank for International Settlements. India proposed to have the IMF facilitate economic development (an issue that was transferred to the IBRD, as reflected in its name).

Understandably, much attention was devoted to issues likely to be salient in the immediate postwar period, which in discussion had to be balanced against the longer-term purposes of the new system. Also, as usual in international negotiations, distributional questions played a prominent role, here, especially the allocation of IMF quotas (desired, since they would define credit lines) and IBRD subscriptions (undesired, since they involved putting up scarce capital), and the location of the two new institutions.

Gold had played a key role in the international monetary system before the First World War, with an attempt to revive it in attenuated form in the gold exchange standard of the late 1920s. Despite Keynes' earlier description of monetary gold as "a barbarous relic," its hold on participants, or at least their preoccupation with gold, is reflected in the fact that it is mentioned in one context or another on fully one quarter of the pages of the transcripts.

Curiously, the two key features of any international monetary system – how balance of payments adjustment is to take place, and how international liquidity is to be provided – do not appear explicitly in these transcripts. The former is imperfectly implicit in the discussion of "flexibility" in changing par values; and the latter is not covered at all except through an obscure reference to "uniform change in par values," i.e. a change in the price of gold.

Large and complex systems in reality evolve through time in response to changing circumstances and opportunities, not through some grand design. Bretton Woods represented a unique opportunity to design a new international monetary system (almost) from scratch, given the unhappy and not-to-be repeated experiences of the interwar period followed by World War. Such circumstances are not likely to be repeated, so we still live with the imperfect legacy of Bretton Woods. Both par values and gold have greatly receded in importance, but the institutional structures created there remain.

References

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