

'The Bretton Woods Agreements' from Le Monde (26 July 1945)

Caption: On 26 July 1945, the French daily newspaper Le Monde comments on the US Senate's ratification of the Bretton Woods Monetary Agreement and describes the dominant role of the dollar and the United States in the new international monetary system.

Source: Le Monde. dir. de publ. Beuve-Méry, Hubert. 26.07.1945, n° 188; 2e année. Paris: Le Monde. "Les Accords de Bretton-Woods", p. 1.

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The Bretton Woods Agreements

The US Senate voted 61 to 16 in favour of the Bretton Woods Agreements, although a new vote by the House of Representatives is required for them to acquire the force of law. There is no question about the result of this vote. However, before it can be applied, this economic cooperation programme will have to be ratified by the 44 nations that participated therein a year ago.

United States approval was vital, since it is the major player in the two prospective bodies: the Exchange Stabilisation Fund, for which it will provide 2 750 million out of the total of 8 800 dollars; and the International Bank for Reconstruction and Development (IBRD), which will have a capital of 9 100 million dollars, with an American contribution of 3 100 million.

If all goes as planned, these two bodies will play a pivotal role in post-war international relations. We know how much they were disrupted, and to what extent the lives of certain countries were shattered, by disorderly exchange market conditions between 1919 and 1939. The Stabilisation Fund should put an end to these difficulties, which can sometimes become catastrophic. The Fund will allow countries with a balance of payments deficit and in need of foreign currency to purchase it in exchange for their own currency. They will no longer have to devalue their currency by offering it on the free exchange market, as has been the case all too often in the recent past.

If the objective is met, if a more or less stable ratio can be established among the various currencies, international trade will benefit enormously. The countries suffering from currency devaluation and the ensuing consequences, such as increased prices and salaries and the bankruptcy of certain groups of people, will enjoy a renewed security that they have not experienced for 25 years.

The IBRD, with an even higher capital, is no less important. It has to help the many war-torn countries to rebuild their ruins and recover their economic capacity as quickly as possible, since that will enable them to resume their place as buyers and sellers in the global economy.

It is certainly not simply for humanity's sake that the United States has taken a predominant place in an organisation of service to world peace and prosperity. Collective interests merge together in a spirit of solidarity: it is hard to say, in advance, who will benefit the most from the opportunities that Bretton Woods will provide.

This plan will mark a turning point in US trade policy, characterised before the war as being inward-looking and protectionist. The new trend appeared last June, when the House authorised the President to lower customs tariffs. Like the funds made available to other nations, the opening of barriers must contribute to an increase in trade. But it is important to bear in mind the United States' particular position.

Having doubled its production capacity during the war, it will be required to increase exports drastically in order to avoid unemployment. Staggering figures are already being quoted. US policy will thus become a large-scale trade expansion policy facilitated by the needs of war-stricken countries. Many will have to buy on credit. Yet one of the outcomes of Bretton Woods is, in fact, to abolish the 1934 Johnson Act which prohibited American loans to countries that had defaulted on their obligations to the US.

It is still too early to foresee all the effects and repercussions of the agreements adopted by the American Senate. Perhaps there will be others besides the development of world trade or, as announced in New York, the strengthening of President Truman's position at the Potsdam Conference.