

## Closing address by Henry Morgenthau, Jr (22 July 1944)

**Caption:** On 22 July 1944, in his closing address, Henry Morgenthau, Jr, US Secretary of the Treasury and Chairman of the Bretton Woods Conference, welcomes the establishment of the International Monetary Fund and the International Bank for Reconstruction and Development.

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## Address by the Honorable Henry Morgenthau, Jr., at the Closing Plenary Session (July 22, 1944)

I am gratified to announce that the Conference at Bretton Woods has successfully completed the task before it.

It was, as we knew when we began, a difficult task, involving complicated technical problems. We came here to work out methods which would do away with the economic evils — the competitive currency devaluation and destructive impediments to trade — which preceded the present war. We have succeeded in that effort.

The actual details of an international monetary and financial agreement may seem mysterious to the general public. Yet at the heart of it lie the most elementary bread-and-butter realities of daily life. What we have done here in Bretton Woods is to devise machinery by which men and women everywhere can freely exchange, on a fair and stable basis, the goods which they produce through their labor. And we have taken the initial steps through which the nations of the world will be able to help one another in economic development to their mutual advantage and for the enrichment of all.

The representatives of the 44 nations faced differences of opinion frankly, and reached an agreement which is rooted in genuine understanding. None of the nations represented here has altogether had its own way. We have had to yield to one another not in respect to principles or essentials but in respect to methods and procedural details. The fact that we have done so, and that we have done it in a continuing spirit of good will and mutual trust, is, I believe, one of the hopeful and heartening portents of our times. Here is a sign blazoned upon the horizon, written large upon the threshold of the future — a sign for men in battle, for men at work in mines and mills, and in the fields, and a sign for women whose hearts have been burdened and anxious lest the cancer of war assail yet another generation — a sign that the peoples of the earth are learning how to join hands and work in unity.

There is a curious notion that the protection of national interests and the development of international cooperation are conflicting philosophies — that somehow or other men of different nations cannot work together without sacrificing the interests of their particular nations. There has been talk of this sort — and from people who ought to know better — concerning the international cooperative nature of the undertaking just completed at Bretton Woods. I am perfectly certain that no delegation to this Conference has lost sight for a moment of the particular national interests it was sent here to represent. The American delegation, which I have had the honor of leading, has at all times been conscious of its primary obligation — the protection of American interests. And the other representatives here have been no less loyal or devoted to the welfare of their own people.

Yet none of us has found any incompatibility between devotion to our own countries and joint action. Indeed, we have found on the contrary that the only genuine safeguard for our national interests lies in international cooperation. We have come to recognize that the wisest and most effective way to protect our national interests is through international cooperation — that is to say, through united effort for the attainment of common goals. This has been the great lesson taught by the war and is, I think, the great lesson of contemporary life — that the peoples of the earth are inseparably linked to one another by a deep, underlying community of purpose. This community of purpose is no less real and vital in peace than in war, and cooperation is no less essential to its fulfillment.

To seek the achievement of our aims separately through the planless, senseless rivalry that divided us in the past, or through the outright economic aggression which turned neighbors into enemies, would be to invite ruin again upon us all. Worse, it would be once more to start our steps irrefragably down the steep, disastrous road to war. That sort of extreme nationalism belongs to an era that is dead. Today the only enlightened form of national self-interest lies in international accord. At Bretton Woods we have taken practical steps toward putting this lesson into practice in the monetary and economic field.

I take it as an axiom that after this war is ended no people — and therefore no government of the people —

will again tolerate prolonged and wide-spread unemployment. A revival of international trade is indispensable if full employment is to be achieved in a peaceful world and with standards of living which will permit the realization of men's reasonable hopes.

What are the fundamental conditions under which commerce among the nations can once more flourish?

First, there must be a reasonably stable standard of international exchange to which all countries can adhere without sacrificing the freedom of action necessary to meet their internal economic problems.

This is the alternative to the desperate tactics of the past — competitive currency depreciation, excessive tariff barriers, uneconomic barter deals, multiple currency practices and unnecessary exchange restrictions — by which governments vainly sought to maintain employment and uphold living standards. In the final analysis, these tactics only succeeded in contributing to world-wide depression and even war. The International Fund agreed upon at Bretton Woods will help remedy this situation.

Second, long-term financial aid must be made available at reasonable rates to those countries whose industry and agriculture have been destroyed by the ruthless torch of an invader or by the heroic scorched-earth policy of their defenders.

Long-term funds must be made available also to promote sound industry and increase industrial and agricultural production in nations whose economic potentialities have not yet been developed. It is essential to us all that these nations play their full part in the exchange of goods throughout the world.

They must be enabled to produce and to sell if they are to be able to purchase and consume. The Bank for International Reconstruction and Development is designed to meet this need.

Objections to this Bank have been raised by some bankers and a few economists. The institutions proposed by the Bretton Woods Conference would indeed limit the control which certain private bankers have in the past exercised over international finance. It would by no means restrict the investment sphere in which bankers could engage. On the contrary, it would greatly expand this sphere by enlarging the volume of international investment and would act as an enormously effective stabilizer and guarantor of loans which they might make. The chief purpose of the Bank for International Reconstruction and Development is to guarantee private loans made through the usual investment channels. It would make loans only when these could not be floated through the normal channels at reasonable rates. The effect would be to provide capital for those who need it at lower interest rates than in the past and to drive only the usurious money lenders from the temple of international finance. For my own part, I cannot look upon this outcome with any sense of dismay.

Capital, like any other commodity, should be free from monopoly control, and available upon reasonable terms to those who will put it to use for the general welfare.

The delegates and technical staffs at Bretton Woods have completed their portion of the job. They sat down together, talked as friends and perfected plans to cope with the international monetary and financial problems which all their countries face. These proposals now must be submitted to the legislatures and the peoples of the participating nations. They will pass upon what has been accomplished here.

The result will be of vital importance to everyone in every country. In the last analysis, it will help determine whether or not people have jobs and the amount of money they are to find in their weekly pay envelopes. More important still, it concerns the kind of world in which our children are to grow to maturity. It concerns the opportunities which will await millions of young men when at last they can take off their uniforms and come home and roll up their sleeves and go to work.

This monetary agreement is but one step, of course, in the broad program of international action necessary for the shaping of a free future. But it is an indispensable step and a vital test of our intentions. Incidentally, tonight we had a dramatic demonstration of these intentions. Tonight the Soviet Government informed me,

through Mr. Stepanov, chairman of its delegation here in Bretton Woods, that it has authorized an increase in its subscription to the International Bank for Reconstruction and Development to \$1,200,000,000. This was done after a subscription of \$900,000,000 had been agreed upon unanimously by the Conference. By this action, the Union of Soviet Socialist Republics is voluntarily taking a greatly increased responsibility for the success of this Bank in the post-war world. This is an indication of the true spirit of international cooperation demonstrated throughout this Conference.

We are at a crossroads, and we must go one way or the other. The Conference at Bretton Woods has erected a signpost — a signpost pointing down a highway broad enough for all men to walk in step and side by side. If they will set out together, there is nothing on earth that need stop them.