The Author

BRETTON WOODS RECALLED

by SHIRLEY BOSKEY

Seven of the 800 or more persons who attended the Bretton Woods Conference in July 1944 are now associated with the Bank. Mr. Basch, then in the Economics Department of Columbia University, was a member of the Czech delegation. Mr. Broches, who was with the Netherlands Embassy, was secretary of the Dutch delegation and Mr. Crena de Iongh, who represented the Netherlands Indies in the United States, was vice-chairman of the Delegation. Mr. Machado, listed modestly as "lawyer and economist", and Mr. Rasminsky, alternate chairman of Canada's Foreign Exchange Control Board, were members of the Cuban and Canadian delegations, respectively. Mr. Schmidt, with the U. S. Treasury Department, was a member of the Conference Secretariat. And Mr. Varvaressos, Governor of the Bank of Greece, was chairman of Greece's delegation. I have talked with all except Mr. Rasminsky (my fault, not his) and Mr. Crena de Iongh (his fault—he went to Somaliland) and what follows is a composite reminiscence.

Representatives of the 44 United and Associated Nations met at the Mount Washington Hotel on July 1. Theoretically they were expected; actually, there appeared to be some doubt. Some of the faucets produced clear water, but not all of the time, a failing for which the free coca-cola dispensers on the veranda did not fully compensate. Interior partitions were missing in some of the conference rooms, and although stenographic desks and "appropriate chairs" were furnished as advertised in the pre-conference information bulletin, there was a dearth of appropriate occupants—until a member of the U. S. delegation produced a supply from Washington government agencies. The young ladies were also in attendance at the Moon Room, headquarters of Commission IV, the Out of Bounds Commission, invented and guided by Mr. Machado; the official records unaccountably make no reference to either the Room or that Commission. Even as Commission I produced the Fund Articles, Commission II those of the Bank, and Commission III numerous resolutions, so Commission IV authored a document patterned on the Fund and Bank Articles and equally statesmanlike in character, but unfortunately not, as I am informed, suitable for quotation in a family publication. The arrangements became so efficient in the course of the Conference that mimeographed copies of this composition were only barely rescued from distribution as an official document.

Many already or subsequently to become well-known names were on the roster of delegates and there were many distinguished faces—including that of a gentleman who, having been swept up into an evening discussion in a delegate's suite, listened intently, said little, and, when asked to what delegation he belonged, replied, "None. I am the Arthur Murray instructor." Despite the initial confusion, a prodigious amount of work was done during the three weeks of the Conference. Many persons were assigned to both Bank and Fund committees, which met round the clock, and in addition to committee meetings, there were plenary sessions, where microphones were whisked from speaker to speaker by Boy Scouts, Cub-size.

This expenditure of energy and effort was concentrated not upon the Bank but upon the Fund. This was foreshadowed by the Conference invitation, which described the objective as the formulation of definite proposals for an international monetary fund and "possibly" for a bank. Many major issues common to the two proposals were in fact settled in connection with the Fund Articles: capital participations, representation on the Board and voting power, for instance. Indeed,


Mr. Basch


Mr. Broches


Mr. Crena de Iongh


Mr. Machado


Mr. Rasminsky


Mr. Schmidt


Mr. Varvaressos

the drafting committee for the Bank Articles took large chunks of the Fund text as a model and adapted them, although occasionally adaptation became adoption, as in the maintenance of value provision which refers to a currency not "repurchased," a term for which Bank lawyers have as yet found no meaning.

Of course, there were differences in detail and differing considerations motivated countries' attitudes with respect to the issues. For example, since a member's right to "purchase" (i.e., borrow) from the Fund is related to the amount of its quota, whereas the amount it may borrow from the Bank is not limited by the amount of its subscription, countries which expected to have recourse to both institutions wished to have a high Fund quota and a low Bank subscription, and for some countries this wish was realized. In the case of the Russians, their proposed contribution to the Bank's capital was reduced from the original figure of $1,200 million to $900 million . . . . and after the difference had been absorbed by several countries' agreeing to increase their participation in the Bank's capital, a cable from Moscow, dramatically arriving in time to be read at the dinner which terminated the Conference, agreed to the $1,200 million figure after all. Loud cheers greeted this gesture of good faith, which turned out to be not very costly, at least not so far.

The emphasis on the Fund did not mean that the Bank was considered less important. It was rather that the role for which the Fund was designed, to police the world's monetary systems, gave it somewhat the quality of spinach in the international diet, while the Bank had rather more the character of dessert. The drafters at Bretton Woods firmly believed in first things first, and as everyone knows, spinach comes before dessert.

International concern over the competing currency devaluations and inflationary tendencies which characterized the interwar years and the fear of a post-war economic depression had been the genesis of the Conference and the Fund proposal. The Bank, on the other hand, was conceived of primarily as an instrument through which the physical assets of the post-war world might be rebuilt. Development financing was envisaged as an activity in which the Bank would ultimately but not immediately engage. It was the Latin American countries which were principally responsible for the emphasis on development; not being themselves in need of reconstruction, they suggested a requirement that equal amounts be expended for the two objectives, although this suggestion was modified when it was realized that it might in practice have the unintended effect of holding development expenditure down to the level of lending for reconstruction.

In fact, the requirements of reconstruction proved to be very different from what had been envisaged at Bretton Woods, calling for extensive and prolonged U. S. aid in the form of grants, and this in turn helped the Bank to expand its activities in the field of development much sooner and much more fully than had been anticipated. In other respects as well, the actual operations of the Bank differ from those assumed at the Conference. Fortunately, possibly in part due to the abilities of the gentlemen identified above, the Articles of Agreement are sufficiently flexible (a more polite word than "vague") to permit the Bank to perform its task despite the changed circumstances. And perhaps, although the Bank may have been an afterthought at Bretton Woods, it may now be said to illustrate that the last shall indeed be first (although none of the interviewees made so ungenerous a suggestion).