

Bretton Woods Agreement (1944)

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The Bretton Woods Conference, officially known as the United Nations Monetary and Financial Conference, was a gathering of delegates from 44 nations that met from July 1 to 22, 1944 in Bretton Woods, New Hampshire, to agree upon a series of new rules for the post-WWII international monetary system. The two major accomplishments of the conference were the creation of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD).

The lessons taken by U.S. policymakers from the interwar period informed the institutions created at the conference. Officials such as President Franklin D. Roosevelt and Secretary of State Cordell Hull were adherents of the Wilsonian belief that free trade not only promoted international prosperity, but also international peace. The experience of the 1930s certainly suggested as much. The policies adopted by governments to combat the Great Depression - high tariff barriers, competitive currency devaluations, discriminatory trading blocs - had contributed to creating an unstable international environment without improving the economic situation. This experience led international leaders to conclude that economic cooperation was the only way to achieve both peace and prosperity, at home and abroad.

The first articulation of this vision was included in the Atlantic Charter issued by Roosevelt and British Prime Minister Winston Churchill at the [Atlantic Conference](#) of August 1941. The Charter's fourth point committed the United States and Great Britain "to further the enjoyment by all States of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity." The fifth point expressed a commitment to "the fullest collaboration between all nations in the economic field with the object of securing, for all, improved labor standards, economic advancement and social security." Great Britain and the United States elaborated on these principles the following year during the negotiations concerning the terms under which the United Kingdom would receive [lend-lease assistance](#) from the United States. Britain agreed to join in promoting international cooperation that would expand "production, employment, and the exchange and consumption of goods" and would reduce tariffs and other trade barriers. Washington and London also agreed to begin talks aimed at achieving these international economic goals.

By February 1942, officials in both countries had already begun laying more concrete plans for international economic stability in the postwar world. Harry Dexter White, Special Assistant to the U.S. Secretary of the Treasury, and John Maynard Keynes, an advisor to the British Treasury,

independently drafted plans for organizations that would provide financial assistance to countries experiencing short-term deficits in their balance of payments. This assistance would help ensure that such countries would not adopt protectionist or predatory trade and monetary policies to improve their balance of payments position. Both plans envisioned a world of fixed exchange rates, believed to be more conducive to the expansion of world trade than floating exchange rates.

Although similar in purpose, the organizations proposed by Keynes and White differed in size, philosophy, and function. From 1942 until the spring of 1944, numerous bilateral and multilateral meetings of allied financial experts were held in an effort to agree upon a common approach. Finally, on April 21, 1944, allied leaders released a "Joint Statement by Experts on the Establishment of an International Monetary Fund." This statement provided the basis for the negotiations at Bretton Woods. After a preliminary conference in Atlantic City in mid-June 1944, the Bretton Woods Conference convened on July 1. Three weeks of discussion later, the delegates signed the Final Act of the United Nations Monetary and Financial Conference, which included charters outlining the aims and mechanisms of both the IMF and IBRD.

The IMF was charged with the maintenance of a system of fixed exchange rates centered on the U.S. dollar and gold. A forum for consultation and cooperation, the organization would contribute to orderly international monetary relations and the expansion of world trade by providing short-term financial assistance to countries experiencing temporary deficits in their balance of payments; balance of payments deficits attributable to more long-term structural factors could be addressed through modification of a country's exchange rate. The IBRD, meanwhile, was responsible for providing financial assistance for the reconstruction of war-ravaged nations and the economic development of less developed countries.

In July 1945, Congress passed the Bretton Woods Agreements Act, authorizing U.S. entry into the IMF and IBRD. The two organizations officially came into existence on December 27, 1945. The fixed exchange rate regime established at Bretton Woods endured for the better part of three decades; only after the dollar exchange crises of August 1971 (when President Richard Nixon suspended the dollar's convertibility into gold) and February/March 1973 did floating exchange rates become the norm for the currencies of the major industrialized nations.