

**THE IMF STORY**  
*Origins and Evolution*

*A gift presented by*

**CHRISTINE LAGARDE**  
*Managing Director*







# THE IMF STORY

*Origins and Evolution*

With my respect and  
gratitude for  
a great visit in  
your beautiful country  
Chiyah



PUSTAKA PERDANA



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# THE IMF STORY

## *Origins and Evolution*

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# FOREWORD







## FOREWORD

In the summer of 2011, I was honored and humbled to become the eleventh Managing Director of the International Monetary Fund. The IMF has a distinguished history and an important responsibility. Together with my colleagues on management and staff, we serve the interests of our global membership—all countries, big and small, rich and poor.

The IMF was born from a time of crisis, during the ravages of World War II. Its inception was grounded in a spirit of global cooperation, an abiding belief in multilateralism and intellectual leadership. Our founders took the opportunity, even in the midst of crisis, to think deeply about how to shape a better tomorrow. They shared a keen sense that a more stable international monetary system could help achieve peace and prosperity.

In the decades that have passed since the Bretton Woods conference, both the world and the IMF have undergone profound change. The IMF has grown from its 40 founding member countries to 188 today. The world is bigger, in population and economic size. Yet, in a way, the world has also become much smaller. All regions, all countries, and all global citizens are tied closely together, linked by the vast and complex network of trade and financial connections of today's global economy.

The IMF stands at the intersection of this increasingly global world. To stay there and remain relevant, we must reflect our membership and the major shifts taking place in the world economy. I am committed to ensuring that our governance structures reflect our membership, and also that the mix of staff at the IMF reflects the world in which we live. A big part of that is about different nationalities and different cultures. Gender balance is also important to me, as you will notice from the epilogue included in this book. We need to draw on skills and talents from all corners of the world because this is how we will serve our members best in the years ahead.

On behalf of IMF management and staff, I hope you will enjoy this account of the origins and evolution of the IMF.

**Christine Lagarde**  
*Managing Director, IMF*



# THE BRETTON WOODS CONFERENCE



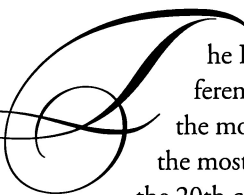
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### **The Mount Washington Hotel**

*This was the site of the Bretton Woods Conference in July 1944.*



# THE BRETTON WOODS CONFERENCE

he Bretton Woods conference of July 1944 was the most important, and the most successful, effort of the 20th century to reform the international financial system. More than 700 delegates from 45 countries gathered for three weeks in the cool north mountain air of Bretton Woods, New Hampshire (United States). There, they hammered out an agreement to create two new permanent institutions. One, the International Bank for Reconstruction and Development (now known more simply as the World Bank), would lend money to countries to rebuild their economies after World War II and produce the infrastructure they would need for economic development. The other, the International Monetary Fund, would help countries restart multilateral finance, make currencies stable and convertible, promote financial cooperation so as to further development and preserve peace, and make short-term loans when necessary to avert policy actions destructive of stability and prosperity.

Bretton Woods succeeded because it had a combination of strong and committed leadership from the main economic powers of the time—the United States and the United Kingdom—and inclusive and meaningful participation from a wide range of other countries. Two of the most brilliant economic minds of that generation—John Maynard Keynes and Harry Dexter White—provided intellectual leadership, while the top officials of the host country—President Franklin Delano Roosevelt and Treasury Secretary Henry Morgenthau, Jr.—provided the essential political support. For everyone involved, the guiding principle was, in the words of Harry White, “the fundamental truth that prosperity, like peace, is indivisible.” They understood that the stakes could not have been higher. As Keynes phrased it in his final address to the conference, if countries could continue to work together in this way, the “nightmare” of depression and war could end, and the “brotherhood of man will have become more than a phrase.”

We know now that Bretton Woods did not bring an end to war, though it may have helped contain it. Certainly, it contributed greatly to an unprecedented expansion of trade, finance, and global output. Most importantly, that expansion has been shared more and more across the world. From a modest beginning when the IMF had 40 members but the United States was the sole creditor, the institution now has nearly

50 creditor countries (out of a total membership of 188) whose currencies are strong enough to use in the IMF's lending operations. From a beginning when the axis countries were still "the enemy" and a world war was about to be followed by the Cold War, today all but a very few of the world's countries are members of the IMF and the World Bank, where they meet regularly in friendship and cooperation.



### **Heads of Delegations**

*The heads of the delegations to the Bretton Woods Conference gather on the front lawn of the Mount Washington Hotel.*

UNITED NATIONS MONETARY  
AND FINANCIAL CONFERENCE  
☞ Inaugural Plenary Session ☞

**July 1, 1944**

**Assembly Hall. 3:00 p.m.**

Convening of the Conference by the Secretary General.

Message from the President of the United States.

Responses on behalf of the visiting delegations by the following:

Address by the Chairman of the Delegation of China, the Honorable Hsiang-Hsi Kung.

Address by the Chariman of the Delegation of Czechoslovakia, the Honorable Ladislav Feierabend.

Appointment by the Temporary President of the Members of the following Committees:

Committee on Credentials

Committee on Rules and Regulations

Committee on Nominations

Address by the Chairman of the Delegation of Mexico, the Honorable Eduardo Suarez.

Address by the Chairman of the Delegation of Brazil, the Honorable Arthur de Souza Costa.

Address by the Chairman of the Delegation of Canada, the Honorable J. L. Ilsley.

Address by the Chairman of the Delegation of the Union of Soviet Socialist Republics, the Honorable M. S. Stepanov.

Election of the Permanent President of the Conference.

Adjournment.

“The Star Spangled Banner.”

UNITED NATIONS MONETARY  
AND FINANCIAL CONFERENCE  
☞ Inaugural Plenary Session ☞

July 1, 1944

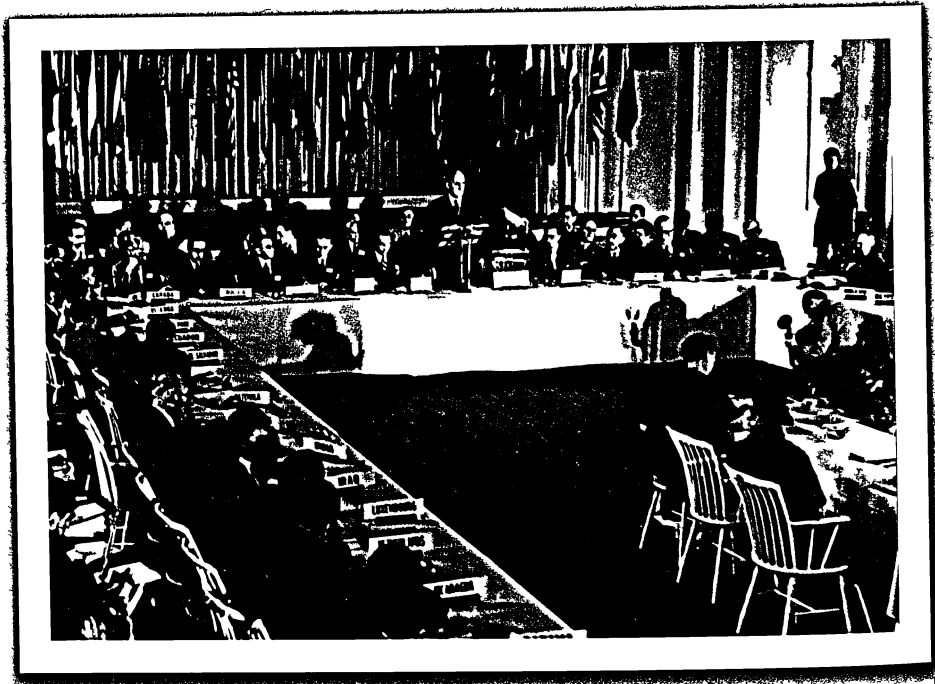
Assembly Hall. 3:00 p.m.

Convening of the Conference by the Secretary General.

**SECRETARY GENERAL KELCHNER:**

The United Nations Monetary and Financial Conference is hereby convened.

It is the generally accepted practice for the host government to designate the Temporary President of an international conference held under its auspices. Accordingly, President Roosevelt has designated as Temporary President of the Conference the Honorable Henry Morgenthau, Jr., Secretary of the Treasury of the United States.



**Opening the Conference**

*Secretary General Kelchner opened the Bretton Woods Conference on July 1, 1944.*

**SECRETARY MORGENTHAU:**

“President Roosevelt has sent a special message to the Conference and I can think of no more fitting way to welcome you than to have this message delivered to you at this time. I request the Secretary General to read President Roosevelt’s message.”

(The Secretary General will read the message.)

**SECRETARY MORGENTHAU:**

“The Chair recognizes the Chairman of the Delegation of China.”

(Dr. Kung will deliver his address.)

**SECRETARY MORGENTHAU:**

“The Chair recognizes the Chairman of the Delegation of Czechoslovakia.”

(Mr. Feierabend will deliver his address.)

**SECRETARY MORGENTHAU:**

“It is customary to appoint certain temporary committees for the purpose of effecting the organization of the Conference. The draft regulations which have been circulated provide for the appointment by the Temporary President of a Committee on Credentials, which Committee will examine the credentials of the various delegations and report to the next plenary session; a Committee on Rules and Regulations, which will examine the draft regulations and report to the next plenary session; and a Committee on Nominations, which will bring in also at the next plenary session nominations for various officers of the Conference.

“The Chair recognizes the Chairman of the Delegation of India.”

(Mr. Raisman will move that the proposal to appoint three temporary committees be adopted and that the Temporary President be authorized to name the members of the committees.)

**SECRETARY MORGENTHAU:**

“You have heard the motion of the Chairman of the Delegation of India that the Temporary Chairman be authorized to appoint members of the committees suggested. Is there a second to that motion?”

(The motion is seconded.)

**SECRETARY MORGENTHAU:**

“The motion has been moved and seconded; all in favor say ‘aye’; those opposed ‘no.’ The motion is carried.

“The Chairman appoints the following members of the Committee on Credentials: The Chairmen of the Delegations of Cuba, The Netherlands, the Union of South Africa, Liberia, and Norway.

“As Members of the Committee on Rules and Regulations the Chairman appoints the Chairmen of the Delegations of China, Nicaragua, Poland, Australia, and Iraq.

“As members of the Committee on Nominations, the Chairman appoints the Chairmen of the Delegations of New Zealand, Luxembourg, Honduras, Iceland, and Peru.

“The Chair recognizes the Chairman of the Delegation of Mexico.”

(Mr. Suarez will give his address nominating Secretary Morgenthau as President of the Conference.)

**SECRETARY MORGENTHAU:**

“The Chair recognizes the Chairman of the Delegation of Brazil.”

(Mr. de Souza Costa will give his address seconding the nomination of Secretary Morgenthau as President of the Conference.)

**SECRETARY MORGENTHAU:**

“The Chair recognizes the Chairman of the Delegation of Canada.”

(Mr. Ilsley will give his address seconding the nomination of Secretary Morgenthau as President of the Conference.)

**SECRETARY MORGENTHAU:**

“The Chair recognizes the Chairman of the Delegation of the Union of Soviet Socialist Republics.”

(Mr. Stepanov will give his address seconding the nomination of Secretary Morgenthau as President of the Conference.)

**SECRETARY MORGENTHAU:**

“You have heard the nomination. Those favoring the election of the nominee, say ‘aye’; opposed ‘no.’

(Secretary Morgenthau will read his address.)

“The Chair declares the meeting adjourned.”

(“The Star Spangled Banner”)



# THE WHITE HOUSE

Washington

June 29, 1944

## TO THE MEMBERS OF THE UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE:

I welcome you to this quiet meeting place with confidence and with hope. I am grateful to you for making the long journey here, grateful to your governments for their ready acceptance of my invitation to this meeting. It is fitting that even while the war for liberation is at its peak, the representatives of free men should gather to take counsel with one another respecting the shape of the future which we are to win.

The war has prodded us into the healthy habit of coming together in conference when we have common problems to discuss and solve. We have done this successfully with respect to various military and production phases of the war, and also with respect to measures which must be taken immediately after the war is won—such as relief and rehabilitation, and distribution of the world's food supplies. These have been essentially emergency matters. At Bretton Woods, you who come from many lands are meeting for the first time to talk over proposals for an enduring program of future economic cooperation and peaceful progress.

The program you are to discuss constitutes, of course, only one phase of the arrangements which must be made between nations to ensure an orderly, harmonious world. But it is a vital phase, affecting ordinary men and women everywhere. For it concerns the basis upon which they will be able to exchange with one another the natural riches of the earth and the products of their own industry and ingenuity. Commerce is the life blood of a free society. We must see to it that the arteries which carry that blood stream are not clogged again, as they have been in the past, by artificial barriers created through senseless economic rivalries.

Economic diseases are highly communicable. It follows, therefore, that the economic health of every country is a proper matter of concern to all its neighbors, near and distant. Only through a dynamic and a soundly expanding world economy can the living standards of individual nations be advanced to levels which will permit a full realization of our hopes for the future.

The spirit in which you carry on these discussions will set a pattern for future friendly consultations among nations in their common interest. Further evidence will be furnished at Bretton Woods that men of different nationalities have learned how to adjust possible differences and how to work together as friends.

The things that we need to do, must be done—can only be done—in concert. This conference will test our capacity to cooperate in peace as we have in war. I know that you will all approach your task with a high sense of responsibility to those who have sacrificed so much in their hopes for a better world.



FRANKLIN D. ROOSEVELT

ACCEPTANCE ADDRESS BY  
U.S. SECRETARY OF TREASURY MORGENTHAU

TREASURY DEPARTMENT  
Washington

*(The following address by Secretary Morgenthau before the United Nations Monetary and Financial Conference at Bretton Woods, N.H., is scheduled for delivery at about 4:30 P.M., E.W.T., Saturday, July 1, 1944, and is for release on delivery.)*

Fellow delegates and members of the conference:

You have given me an honor and an opportunity. I accept the presidency of this conference with gratitude for the confidence you have reposed in me. I accept it also with deep humility. For I know that what we do here will shape to a significant degree the nature of the world in which we are to live—and the nature of the world in which men and women younger than ourselves must round out their lives and seek the fulfillment of their hopes. All of you, I know, share this sense of responsibility.

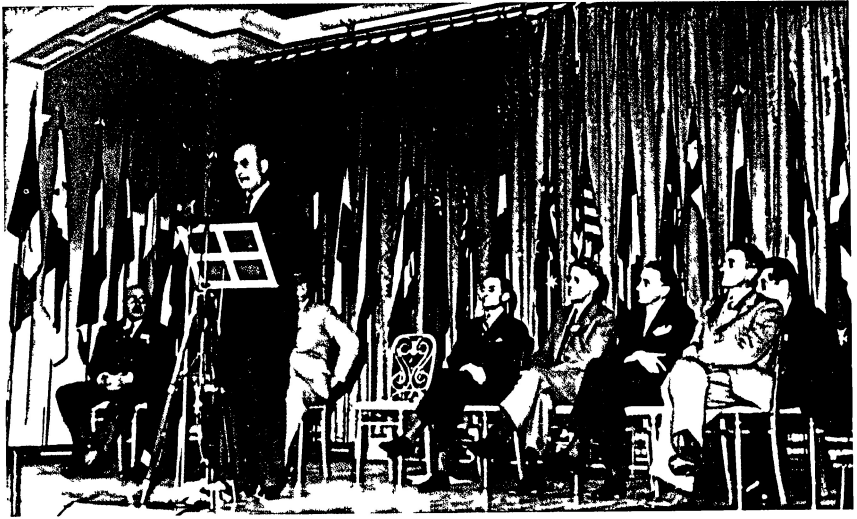
We are more likely to be successful in the work before us if we see it in perspective. Our agenda is concerned specifically with the monetary and investment field. It should be viewed, however, as part of a broader program of agreed action among nations to bring about the expansion of production, employment and trade contemplated in the Atlantic Charter\* and in Article VII\* of the mutual aid agreements concluded by the United States with many of the United Nations. Whatever we accomplish here must be supplemented and buttressed by other action having this end in view.

President Roosevelt has made it clear that we are not asked to make definitive agreements binding on any nation, but that proposals here formulated are to be referred to our respective governments for acceptance or rejection. Our task, then, is to confer, and to reach understanding and agreement, upon certain basic measures which must be recommended to our governments for the establishment of a sound and stable economic relationship among us.

We can accomplish this task only if we approach it not as bargainers but as partners—not as rivals but as men who recognize that their common welfare depends, in peace as in war, upon mutual trust and joint endeavor. It is not an easy task that is before us; but I believe, if we devote ourselves to it in this spirit, earnestly and sincerely, that what we achieve here will have the greatest historical significance. Men

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\* Attached to the original document.



### **President of the Conference**

*Henry Morgenthau, Jr., then Secretary of the United States Treasury, was elected by the delegates to the Bretton Woods Conference on July 1, 1944 to serve as President of the Conference for its duration.*

and women everywhere will look to this meeting for a sign that the unity welded among us by war will endure in peace.

Through cooperation we are now overcoming the most fearful and formidable threat ever to be raised against our security and freedom. In time, with God's grace, the scourge of war will be lifted from us. But we shall delude ourselves if we regard victory as synonymous with freedom and security. Victory in this war will give us simply the opportunity to mould, through our common effort, a world that is, in truth, secure and free.

We are to concern ourselves here with essential steps in the creation of a dynamic world economy in which the people of every nation will be able to realize their potentialities in peace; will be able, through their industry, their inventiveness, their thrift, to raise their own standards of living and enjoy, increasingly, the fruits of material progress on an earth infinitely blessed with natural riches. This is the indispensable cornerstone of freedom and security. All else must be built upon this. For freedom of opportunity is the foundation for all other freedoms.

I hope that this conference will focus its attention upon two elementary economic axioms. The first of these is this: that prosperity has no fixed limits. It is not a finite substance to be diminished by division. On the contrary, the more of it that other nations enjoy, the more each nation will have for itself. There is a tragic fallacy in the notion that any country is liable to lose its customers by promoting greater produc-

tion and higher living standards among them. Good customers are prosperous customers. The point can be illustrated very simply from the foreign trade experience of my own country. In the prewar decade, about 20 percent of our exports went to the 47 million people in the highly industrialized United Kingdom; less than three percent went to the 450 million people in China.

The second axiom is a corollary of the first. Prosperity, like peace, is indivisible. We cannot afford to have it scattered here or there among the fortunate or to enjoy it at the expense of others. Poverty, wherever it exists, is menacing to us all and undermines the well-being of each of us. It can no more be localized than war, but spreads and saps the economic strength of all the more favored areas of the earth. We know now that the thread of economic life in every nation is inseparably woven into a fabric of world economy. Let any thread become frayed and the entire fabric is weakened. No nation, however great and strong, can remain immune.

All of us have seen the great economic tragedy of our time. We saw the worldwide depression of the 1930s. We saw currency disorders develop and spread from land to land, destroying the basis for international trade and international investment and even international faith. In their wake, we saw unemployment and wretchedness—idle tools, wasted wealth. We saw their victims fall prey, in places, to demagogues and dictators. We saw bewilderment and bitterness become the breeders of fascism, and, finally, of war.

In many countries controls and restrictions were set up without regard to their effect on other countries. Some countries, in a desperate attempt to grasp a share of the shrinking volume of world trade, aggravated the disorder by resorting to competitive depreciation of currency. Much of our economic ingenuity was expended in the fashioning of devices to hamper and limit the free movement of goods. These devices became economic weapons with which the earliest phase of our present war was fought by the Fascist dictators. There was an ironic inevitability in this process. Economic aggression can have no other offspring than war. It is as dangerous as it is futile.

We know now that economic conflict must develop when nations endeavor separately to deal with economic ills which are international in scope. To deal with the problems of international exchange and of international investment is beyond the capacity of any one country, or of any two or three countries. These are multilateral problems, to be solved only by multilateral cooperation. They are fixed and permanent problems, not merely transitional considerations of the postwar reconstruction. They are problems not limited in importance to foreign exchange traders and bankers but are vital factors in the flow of raw materials and finished goods, in the maintenance of high levels of production and consumption, in the establishment of a satisfactory standard of living for all the people of all the countries on this earth.

Throughout the past decade, the Government of the United States has sought in many directions to promote joint action among the nations of the world. In the realm of monetary and financial problems, this Government undertook, as far back as 1936, to facilitate the maintenance of orderly exchanges by entering into the Tri-Partite Agreement with England and France, under which they, and subsequently Belgium, the Netherlands and Switzerland, agreed with us to consult on foreign exchange questions before important steps were taken. This policy of consultation was extended in the bilateral exchange arrangements which we set up, starting in 1937, with our neighbors on the American continents.

In 1941, we began to study the possibility of international cooperation on a multilateral basis as a means of establishing a stable and orderly system of international currency relationships and to revive international investment. Our technical staff—soon joined by the experts of other nations—undertook the preparation of practical proposals, designed to implement international monetary and financial cooperation. The opinions of these technicians, as reported in the joint public statement which they have issued, reveal a common belief that the disruption of foreign exchanges *can* be prevented, and the collapse of monetary systems *can* be avoided, and a sound currency basis for the balanced growth of international trade *can* be provided, if we are forehanded enough to plan ahead of time—and to plan together. It is the consensus of these technical experts that the solution lies in a permanent institution for consultation and cooperation on international monetary, finance and economic problems. The formulation of a definite proposal for a Stabilization Fund of the United and Associated Nations is one of the items on our agenda.

But provision for monetary stabilization alone will not meet the need for the rehabilitation of war-wrecked economies. It is not, in fact, designed toward that end. It is proposed, rather, as a permanent mechanism to promote exchange stability. Even to discharge this function effectively, it must be supplemented by many other measures to remove impediments to world trade.

For long-range reconstruction purposes, international loans on a broad scale will be imperative. We have in mind a need wholly apart from the problem of immediate aid which is being undertaken by the United Nations Relief and Rehabilitation Administration. The need which we seek to meet through the second proposal on our agenda is for loans to provide capital for economic reconstruction, loans for which adequate security may be available and which will provide the opportunity for investment, under proper safeguards, of capital from many lands. The technicians have prepared the outline of a plan for an International Bank for Postwar Reconstruction which will investigate the opportunities for loans of this character, will recommend and supervise them and, if advisable, furnish to investors guaranties of their repayment.

I shall not attempt here to discuss these proposals in detail. That is the task of this conference. It is a task the performance of which calls for wisdom, for statesmanship, above all for good will.

The transcendent fact of contemporary life is this—that the world is a community. On battlefronts the world over, the young men of all our united countries have been dying together—dying for a common purpose. It is not beyond our powers to enable the young men of all our countries to *live* together—to pour their energies, their skills, their aspirations into mutual enrichment and peaceful progress. Our final responsibility is to them. As they prosper or perish, the work which we do here will be judged. The opportunity before us has been bought with blood. Let us meet it with faith in one another, with faith in our common future, which these men fought to make free.



# ORGANIZATION OF THE CONFERENCE

