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# Bretton-Woods Conference: the Soviets Perspective

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## Abstract

This paper examines the reasons of the Soviet Union's decision not to ratify the Bretton-Woods agreement. The Bretton-Woods Conference was a symbol of the Twentieth Century, which left a mark in the international financial history. The Conference gathered more than 730 delegates from 44 countries that wanted to avoid the financial catastrophe in the postwar period. The Soviet Union participated in the pre-conference meetings and was actively engaged in defending its national interests at the Bretton-Woods Conference. However, the Soviet Union refused to enter the newly founded IMF and IBRD, and reasons behind the refusal are merely mentioned in various sources. The most common information that could be found is that the Soviet Union never officially explained its decision. The result of the work shows that the Soviet officials studied and favored the Bretton-Woods agreements, explaining that the Soviet Union could derive a profit from it. Moreover, the Soviet economic technicians prepared a set of the recommendations which the Soviet government needed to apply before entering the Bretton-Woods institutions. Nevertheless, the Soviet Union never ratified the Bretton-Woods outcome. Although, there are no official reports or papers which might shed the light on the final decision of Stalin, who refused to become a part of the new financial order, this work still contributes to the common knowledge of Bretton-Woods and the role of the Soviet Union in the Bretton-Woods system and the postwar world.

**Keywords:** *The Bretton-Woods Conference, financial order, gold standard, Harry Dexter White, John Maynard Keynes, the Soviet Union, refusal, the Cold War*

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## 1. Introduction

The financial crisis of 2008 not only influenced almost all countries around the world but also forced people to recall the times when economic stability was in the center of attention of the major powers in the Twentieth Century. At the peak of the financial crisis, many modern economists and politicians were calling for new Bretton-Woods. It was an “unprecedented experiment” in the international economy of the Twentieth Century, a “decisive step” which created a new system.<sup>1</sup> For the modern society, Bretton-Woods seemed to be a solution to reform the contemporary capitalism so that it would not be destabilizing the world economy, because the same economic destabilization of the 1930s led to the gathering of the conference as a reaction to the economic and monetary chaos.<sup>2</sup> Most of the economists discuss in their works the possible resurgence of some Bretton-Woods elements in the modern world. For instance, some believe that: “the view which was formed at the conference and the following policies are considered to be dangerously incorrect”<sup>3</sup>, whereas others, for example, Michel Camdessus in his address to IMF stated that we need a “New Bretton-Woods” nowadays: “Despite the considerable changes that have occurred in the international economy since the Bretton Woods conference, I believe that the Bretton Woods goals are as valid today as they were half a century ago.”<sup>4</sup> Other analysts even claimed that economic crisis of 2008 might “generate another Bretton-Woods moment”; therefore, it could inspire the governments to conduct a significant global reform and stop the economic turbulence.<sup>5</sup> Moreover, in the modern globalizing world, where economic conditions change rapidly and new markets emerge, we can hear an increasing number of appeals to refer to the system which already existed and which, by the opinions of different scientist and politicians, proved to be stable.<sup>6</sup> Therefore, the current topic appears to be of vital importance due to the appeals of different economists, policy-makers etc. For this reasons, we must grasp the principles by which the key players of the postwar period were guided, specifically at the Bretton-Woods and to understand why politicians and economists do appeal to the return of this system on one way or another.

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<sup>1</sup> Bordo, Michael David, Barry Eichengreen, and National bureau of economic research. 1993. *A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform*. (A National Bureau of Economic Research Project Report. Chicago etc. : University of Chicago Press): 155.

<sup>2</sup> James, H. “The Multiple Contexts of Bretton Woods.” *Oxford Review of Economic Policy* 28, no. 3 (September 1, 2012): 412.

<sup>3</sup> D. Korten, *Sustainability and the World Economy after Bretton-Woods*. 1994.  
[http://www.greensalvation.org/old/Russian/Publish/01\\_rus/01\\_06.htm](http://www.greensalvation.org/old/Russian/Publish/01_rus/01_06.htm) (assessed 28.11.15)

<sup>4</sup> M. Camdessus, «Is the New Bretton-Woods Conceivable?», (January 19, 1996)  
<https://www.imf.org/external/np/sec/mds/1996/mds9601.htm> (seen 28.11.15).

<sup>5</sup> Helleiner, Eric. “A Bretton Woods Moment? The 2007-2008 Crisis and the Future of Global Finance.” *International Affairs* 86, no. 3 (May 2010): 619–620.

<sup>6</sup> Michael P. Dooley, David Folkerts-Landau, Peter Garber, *An Essay on the Revived Bretton Woods System*. (September 2003).

Furthermore, another important part of the Bretton-Woods topic which is not researched amply is the participation and impact of other participating countries, such as the Soviet Union. The USSR participated in the conference and cooperated in the working process with other countries. However, the participation of the Soviets in the conference is merely mentioned in different kinds of literature.<sup>7</sup> Moreover, the Soviet Union did not ratify the outcome and the reasons for this refusal remain under-researched so far and, therefore, unknown. A wide range of Western literature, which discusses the Bretton-Woods agreements or the conference itself, focuses mainly on the negotiations between the United State and Great Britain.<sup>8</sup> The most common statement that prevails in Russian literature is, however, that the “Bretton-Woods conference was based on the principle of americentrism”<sup>9</sup>, and that the USA played the key role and wisely used the Bretton-Woods structures for their own purposes.<sup>10</sup> Finally, Herring states in his work that as far as the US contributed most of the necessary funds to the Bretton-Woods institutions, it consequently controlled its operations.<sup>11</sup>

Although the system does not exist anymore after the USA terminated the convertibility of the US dollar to gold in 1971, the significance of referring to and studying the Bretton-Woods conference and its results did not decrease.<sup>12</sup> However, most of the Anglo-Saxon literature, which analyzes the conference, concentrates on the economic aspects and results of the Bretton-Woods, or on the Anglo-American relations, mostly exclude any information about the Soviet Union’s participation. Therefore, it is important to conduct the research on this topic and to include the information on the Soviet Union’s participation.

The scientific novelty of the paper can be shown through the fact that there were different speculations on the reasons for the Soviet Union’s actions and behavior, and the refusal has never been officially explained or excused. Therefore, the research question is: Why did the Soviet Union refuse to ratify the Bretton-Woods document?

Current thesis will provide the new insight into this under-researched topic and will outline the reasons for the USSR’s decisions. Moreover, this work will give an analysis of the post-war planning processes which tended to build a new world after the disastrous Second World War. The inquiry presupposes the evaluation of the factors which had an impact on those processes. In addition, on the basis of different studies which were already done by numerous scholars, this

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<sup>7</sup> Катасонов, В. Ю. 2014. *Бреттон-Вудс. Ключевое событие новейшей финансовой истории* (Кислород, 2014): 7

(Katasonov V. U. *Bretton Woods: The Key Event In the Contemporary Financial History*. (Kislod, 2014)).

<sup>8</sup> Helleiner, Eric. *Reinterpreting Bretton Woods: International Development and the Neglected Origins of Embedded Liberalism*. *Development and Change* 37, no. 5 (September 1, 2006): 945.

<sup>9</sup> Teor T. R. *World Economy*. (Saint-Petersburg, 2002): 90.

<sup>10</sup> Dmitrieva M., Novikov S. V., Manikin A. S., *The World History* (AST, 2010): 552.

<sup>11</sup> Herring, George C. *From Colony to Superpower: U.S. Foreign Relations since 1776*. *The Oxford History of the United States*. (New York: Oxford University Press, 2008): 580.

<sup>12</sup> Катасонов, 192.

paper will provide a deeper and more thorough analysis of the short period, during which the new financial world order was created and formed. Finally, the author studies these process from several possible perspectives and to find the reasons why the Soviet Union behaved as they did.

One of the main concepts in the current research is the “Cold War”. George Orwell was the first who used the term in his article discussing nuclear weapons and the future tensions between “two or three monstrous states”, and, as he stated, the possession of nuclear weapons by them basically divided the world between them.<sup>13</sup> Eventually, scholars started to use the term referring to the state of hostility between the United State and the Soviet Union which emerged after the Second World War. “Cold war” term means “a state of political hostility between countries characterized by threats, propaganda, and other measures short of open warfare, in particular”.<sup>14</sup> However, in the current research, I will include also a more specific definition. To be more precise, the “Cold War” which relates to “the state of hostility that existed between the Soviet bloc countries and the Western powers from 1945 to 1990”.<sup>15</sup> Finally, Pechatnov provides his defecation of this term. According to him the Cold War was a mixture of various aspects, such as geopolitics, ideology and culture and created a complex historical phenomenon, which, as any other multi-aspect event, cannot be explained with one precise definition.<sup>16</sup>

The following sub-questions will be addressed to finally answer my main question: firstly, in order to answer the main question, it is necessary to provide the background information about the Bretton-Woods conference and to outline the origins of the Bretton-Woods agreements, the principles of work that were conceived by White and Keynes. What were economists’ main intentions in relation to the postwar economy? Moreover, it is important to understand why did the Soviet Union, specifically Stalin, decide to participate in the conference, which was headed by two capitalist countries, the US and Britain? Did the Soviet leader expect to derive profit from the participation in the long run? Or did Stalin simply want to participate in the shaping of the post-war order and, therefore, there was no hidden agenda?

Secondly, it is important to discuss the Bretton-Woods conference itself. For instance, how the work was conducted? What were the main controversies which arose at the discussion process? How did the Soviets behave during the conference: were they engaged very actively in the discussion process or were they the silent spectators?

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<sup>13</sup> George Orwell, *You and the Atomic Bomb*. (Tribune, London,1945). <http://theorwellprize.co.uk/george-orwell/by-orwell/essays-and-other-works/you-and-the-atom-bomb/> (assessed: 16.03.16); Kathrin Connor Martin, *George Orwell and the origin of the term ‘cold war’*.(2015). <http://blog.oxforddictionaries.com/2015/10/cold-war-origin/> (assessed: 16.03.16).

<sup>14</sup> British and World English Dictionary: <http://www.oxforddictionaries.com/definition/english/cold-war> (assessed: 16.03.16)

<sup>15</sup> Ibid.

<sup>16</sup> Lundestad, Geir, ed. *International Relations since the End of the Cold War: New and Old Dimensions*. 1st ed. (Oxford: Oxford University Press, 2013): 199-120.

Finally, it is also important to study the environment in which the conference was conducted. It is known at the end of the Second World War that the relations between Anti-Hitler Allies worsened and became strained. Which event was the starting point of the confrontation? Did it happen before or after Bretton-Woods? What was a major stumbling block to an agreement and further cooperation between the USSR and Western countries? When did the Cold War emerge and what triggered it?

In my thesis, I will add the Russian point of view in the fields where the information is lacking and will elaborate it further. Unfortunately, the Bretton-Woods conference is rarely mentioned in Russian literature, and even if there are some facts about this event, it is usually connected with economic side, not political. Only few Russian authors talk about the reasons why the Soviets participated and why they pulled out from the new economic system. Furthermore, as far as this work will be considering different opinions on the post-war planning process, I will use a qualitative method. All the data and information will be collected in a free manner, not focusing on the statistical or mathematic facts, but rather on deeper understanding and interpretation of the events which took place before, during and after the Bretton-Woods conference and in the following period during the emergence of the Cold War. Moreover, a biographical method will be also included in the current paper, as far as the activities of some famous officials and political figures played an important and even decisive role in the forming of the post-war world order. Therefore, I will analyze the diaries of Henry Morgenthau, Harry Dexter White, Marshal Zhukov, A. Roshin and the memoirs of Raymond Mikesell and Van Dormael. Moreover, I will also include the interviews of Vyacheslav Molotov and Stalin. I expect to find new information, mainly from Russian sources, which have not been added yet to the research on Bretton-Woods in the West. Thus, this research will fill the historical gap and will contribute to a better understanding of the reason behind the Soviets policy and actions at the time.

In addition, as far as the main research question is devoted to the finding of the reasons behind the Soviet's refusal to ratify the Bretton-Woods outcome, it is necessary to study the context, or the conditions, in which the conference was taking place, because it certainly influenced to some extent the decision of the Soviet leader. Therefore, I will provide the historiography of the rise of the struggle of two blocs led by the US and the USSR. Afterwards, I will study a few events of the period which soured the relations between former allies and resulted in the most important ideological, political and military confrontation of the second half of Twentieth Century. I will focus on the Russian perspectives and point of view, but will complement these with the opinions of the Western scholars.

The sources which will be included into the research could be divided into several groups. Firstly, such sources as diaries of the participants and eyewitnesses of those events, like the Bretton-Woods transcripts and various manuscript collections of the Roosevelt's administration which are collected into multi-volume publications revealing different kinds of papers. In other words, the sources, which can provide the insight into what was happening during that period of time. Secondly, I will use different monographs of famous scholars, who specialize in various fields, like financial conferences or the Cold War. It will create the historiography of the emergence of the Cold war and will provide the background for answering my main research question.



## 2. The Planning of the Bretton-Woods

In order to answer the main research question, it is necessary to provide background information about the Bretton-Woods conference, to outline the origins of the Bretton-Woods plans and the principles of work that were conceived by White and Keynes. What preceded Bretton-Woods? What were the main intentions of the economists in relation to the postwar economy? Moreover, it is important to understand the reasons why the Soviet Union, specifically Stalin, decided to participate in the conference, which was headed by two capitalist countries, namely the US and Great Britain? Did the Soviet leader expect to derive profit from the participation? Or perhaps Stalin wanted merely to participate in shaping of the post-war order without hidden agenda? How were the countries preparing for the conference? What kind of preparatory works those countries, as well as the Soviet Union, conducted? This chapter discusses the context from which the ideas of monetary and financial regulations emerged. Also, special attention is drawn to the origins of those regulations, as well as the main intentions and postwar plans of the Bretton-Woods architects. Moreover, the position of the Soviet Union in that event will also be taken into consideration.

### The Road to the Bretton-Woods

It is of crucial importance to note that the Twentieth Century witnessed several tragedies in its history, which involved numerous countries. In particular, the year 1914, in which an outbreak of the first large-scale war occurred, involving more than 20 countries from all over the world. The conflict terrified people with the extent of the war actions and the number of victims. At the end of the war, the European countries were weakened and left with serious debts, the economic expenses reached \$250 billion and the production output declined enormously.<sup>17</sup> The United States stayed neutral until it officially entered the war in 1917. During the war period, the United States satisfied the demands of belligerent countries for arms and ammunition and gained profit from providing food supplies. Instead of stagnation, the American economy experienced a growth, as it prospered and flourished.<sup>18</sup> The military contracts and the following economic increase opened new opportunities to develop and expand the production. The national wealth rose significantly and the country concentrated almost half gold reserves of the most developed

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<sup>17</sup> Herring, George C. *From Colony to Superpower: U.S. Foreign Relations since 1776*. (The Oxford History of the United States. New York: Oxford University Press, 2008): 473.

<sup>18</sup> *Ibid*, 446.

nations.<sup>19</sup> Consequently, the world financial center was transferred from London to New York and the United States, and unquestionably became the strongest economic power.

Few years later the war-torn countries started to experience the effects of the recovered economy. The USA achieved the set goals aiming at the recovery of production, and the return of production output levels to the indicators of prewar times. The changes of the environment in the international market led to the emergence of the agricultural crisis. The heavy production output was curtailed, as well as the amount of military contracts. Finally, a lot of people lost their farm households and jobs.<sup>20</sup> However, after a short stagnation, the American economic expansion was expressed in the considerable amounts of direct investments contributing to the establishing of the American production in those countries. This led to further interim economic prosperity of the United States. Moreover, the domestic priorities were in a more important position than, for instance, boosting the foreign trade. The representatives of the manufacturing sector were insisting on saving the high tariffs as far as the population expected the intensive flows of import from the European states, what affected the trade balance in favor of the US.<sup>21</sup>

The agricultural crisis of 1920 – 1922 was a portent of forthcoming and more serious crisis. The Great Depression spread around the world, triggering the panic in governments of numerous countries, forcing them to refuse to cooperate with each other. In order to protect their national economies and overcome the international crisis, the involved countries needed to unite in their attempts to restore the economy. Nevertheless, the most industrialized countries decided to pursue the nationalistic economies and to impose high tariffs on the importing goods and perform currency manipulation.<sup>22</sup> As Herring notes, such methods were destructive in such interdependent world. While the nations were protecting their markets from the foreign goods, they were damaging the world trade. The production output level plummeted, the number of the unemployed grew significantly, as well as the mistrust and controversies between the countries. The economic catastrophe gave way to the political instability, the spread of animosity and bitterness among the population.<sup>23</sup>

In 1933, Franklin Roosevelt, the new American president, took the office. Throughout the 1930s the Department of State remained the main governmental structure which dealt with the U.S. foreign policy.<sup>24</sup> However, the issues of greater importance were taken under personal control of Roosevelt and his loyal and trustworthy ally Henry Morgenthau, the Secretary of

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<sup>19</sup> Толмачева Р. П., *Экономическая история*. (Москва, 2003): 199, 201, 203, 204.  
(R. P. Tolmacheva, *Economic History*. Moscow, 2003).

<sup>20</sup> Tolmacheva, 204-208.

<sup>21</sup> Herring, 448.

<sup>22</sup> Schild, Georg. *Bretton Woods and Dumbarton Oaks*. (Macmillan Press LTD, 1995): 77.

<sup>23</sup> Herring, 484-486.

<sup>24</sup> Ibid, 493.

Treasury.<sup>25</sup> What appears to be also significant is the campaign of Roosevelt who advocated participating in the international affairs and urging the League of Nations, part of which it was not, to use all available instruments. Moreover, in the spring of 1933 he announced the US participation in the London Economic Conference and that the international society needed to cooperate in order to overcome the crisis.<sup>26</sup> However, Cordell Hull, Secretary of State, who was the US representative at the conference, received a cable from the president that the US would not submit the tariff bill, as far as Roosevelt was afraid that the stabilization measures, which were under the discussion at the conference, could undermine the recovery process of the American economy.<sup>27</sup> The conference ended with no practical results as far as Roosevelt rejected the conference decisions and claimed that he would work towards reaching a solution in the United States. As Herring asserts, the Great Depression crisis changed priorities of the American administration, as far as the American president believed that it had its origins in the domestic policy.<sup>28</sup>

The economic crisis was spreading incessantly and acquired the status of a global crisis. Therefore, it was necessary for the United States to take measures for neutralization of the consequences. This is when the newly elected president, Franklin Delano Roosevelt, launched one of the most famous legacies, i.e. the “New Deal” course. After the inauguration, Roosevelt had to postpone solving the foreign policy problems and devote his time to the internal economic recovery.<sup>29</sup> Roosevelt differed from his predecessor, Herbert Hoover, who believed that the government should not be involved in the economic regulation and that the crisis was just another stage in the economy, which would eventually pass.<sup>30</sup> The “New Deal”, conducted from 1933 to 1938, was the specific policy aimed at overcoming of the large-scale crisis and return of the country to the normal conditions.<sup>31</sup> The Roosevelt’s administration adopted a package of measures which could be roughly divided into three groups, focusing on Relief, Recovery, and Reform. Relief was supposed to lift the burden from the population by providing employment opportunities. Recovery addressed the economic restoration of the country. Finally, Reform targeted the financial system change in order to prevent the possible emergence of another crisis.<sup>32</sup>

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<sup>25</sup> Ibid, 493.

<sup>26</sup> Luechtenburg, William E. *Franklin D. Roosevelt and the New Deal: 1932-1940*. (The New American Nation Series. Harper Perennial, 2009): 199-206.

<sup>27</sup> Luechtenburg, 200-201.

<sup>28</sup> Herring, 494-495.

<sup>29</sup> Tolmacheva, 209.

<sup>30</sup> Ibid, 209; Carol Berkin, Christopher L. Miller, Robert Cherny, James Gormly, and Douglas Egerton, *Making America: A History of the United States*, Brief Fifth Edition. (Boston: Wadsworth, 2011): 728

<sup>31</sup> Berkin, 726.

<sup>32</sup> Ibid, 737.

The New Deal policies embraced different problematic areas, such as social, industrial, agricultural, banking and monetary. However, for the purposes of the research there is a need to briefly consider the monetary and the banking reforms, as far as they are connected with the subject matter. Within the banking reformation, there was a revision conducted of all banks and a special agency established the deposit insuring against the possible risks. In addition to it, it was important to restore citizen's confidence in the banking system.<sup>33</sup>

Another, and probably one of the most profound and important changes, concerned the monetary policy. Owing to the population's panic during the crisis outbreak, the amount of gold decreased significantly. Roosevelt's administration adopted the Gold Reserve Act, according to which the gold standard was suspended.<sup>34</sup> For this reason, according to this act, all juridical personalities and individuals were obliged to submit the gold stocks they possessed to the US Treasury Department and receive paper dollars.<sup>35</sup> After the mass gold seizure, conducted by the Department of the Treasury, the US dollar was devalued by increasing the price from \$20 to \$35 per troy ounce.<sup>36</sup> To start with, within the first 24 hours the financial worth of the American gold stocks increased by more than \$2 billion.<sup>37</sup> Secondly, it boosted the gold flows into the United States and its further accumulation at the Treasury. Moreover, as Romer states, the escalating controversies within Europe in the mid-30s also contributed to a capital flows from the European continent to the United States.<sup>38</sup> Therefore, the Treasury expanded its gold stocks even more. Thus, the gold inflow sparked as the currency manipulation improved and advanced the business environment and the economic situation of the country in general.<sup>39</sup>

In addition, as Roosevelt eliminated the gold standard in the US, calling it the "old fetishes of international bankers", he gave the control of the monetary policy to the Treasury Department which was headed by Henry Morgenthau and what became, as Helleiner states, "a center of New Deal radicalism".<sup>40</sup> With the significant money inflows, the American officials, especially from the Department of Treasury, started to favor the practice of the exchange control. Closer to the emergence of the Second World War, when the elaboration of the postwar planning started, Morgenthau claimed that he would endeavor to establish the New Deal in the international

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<sup>33</sup> Tolmacheva, 211.

<sup>34</sup> Berkin, 737.

<sup>35</sup> The Federal Reserve History, *Gold Reserve Act 1934*. <http://www.federalreservehistory.org/Events/DetailView/13> (assessed 20.03.16); The financial education website, *The Gold Reserve Act 1934*. <http://www.investopedia.com/terms/g/gold-reserve-act-1934.asp> (assessed 20.03.16).

<sup>36</sup> Katasonov, 177.

<sup>37</sup> The Federal Reserve History, *Gold Reserve Act 1934*. <http://www.federalreservehistory.org/Events/DetailView/13> (assessed 20.03.16); The financial education website, *The Gold Reserve Act 1934*. <http://www.investopedia.com/terms/g/gold-reserve-act-1934.asp> (assessed 20.03.16).

<sup>38</sup> Romer, Christina D. "What Ended the Great Depression?" *The Journal of Economic History* 52, no. 04 (1992): 773.

<sup>39</sup> Romer, 774.

<sup>40</sup> Helleiner, Eric. *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s*. (Ithaca, NY: Cornell University Press, 1994): 30.

economics. It would limit the capacities of the domestic and foreign bankers that had dominated the economy of the 1920s.<sup>41</sup>

Moreover, Great Britain also experienced serious economic changes in the 1930s. To be more precise, the economic crisis forced the UK, as well as the US, to leave the gold standard. The British Government decided to focus on domestic issues rather than international, and to facilitate the exchange market interventions. As in the United States, all the measures which were implemented by the British government aimed at the economic stabilization, debt reduction and protection of the pound sterling. As Helleiner concludes, both White and Keynes agreed that the consolidation of economic experiences of the 1930s and the control of capitals must be dominating feature of the postwar economy.<sup>42</sup>

As Herring states, the US aims in the war embraced wide specter of goals. However, one of the main objectives was the Open Door Policy in the international economy and creation of a supranational organization which would preserve political and economic peace. For fear that the economic crisis could emerge again, the American and British officials started the preparations for creating the secure and stable world. They decided to use all the economic influence they had in order to avoid the mistakes which, in their opinion, could lead to another war. With this in mind, despite some controversial opinions, they admitted that trade barriers elimination was the most essential part of the postwar economy.<sup>43</sup>

Finally, Roosevelt believed that the American values, as well as the institutions which acquired those values, were universal, and that they were able to establish and preserve postwar peace. Therefore, as he supposed, people would accept those values along with institutions. In his opinion, the “New Deal” policy was the road to a better future and the war was an opportunity to reform the world.<sup>44</sup>

Different economists of that period believed that in the postwar years the demands for the foreign and domestic market would help to sustain the production level. However, when the consumer needs would be satisfied and the European production recovered, it might have led to the economic stagnation of the United States. A few economists even voiced the idea that the stagnation of the American economy would simply be destructive to the world order.<sup>45</sup> Although, the outbreak of the WWII mobilized the ones traumatized by the depression economy,

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<sup>41</sup> Helleiner, 28-31.

<sup>42</sup> Helleiner, Eric. *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s*. (Ithaca, NY: Cornell University Press, 1994): 32-33.

<sup>43</sup> Herring, 580.

<sup>44</sup> Herring, 546, 549, 580

<sup>45</sup> Schild, 77-78.

the population was still distressed that the prewar level of unemployment might come back after the US government would cut the military expenditures.<sup>46</sup>

## White and Keynes

It is considered that the Bretton-Woods agreements were the results of the long and serious international dialogue between the two great economists, Harry Dexter White and John Maynard Keynes.<sup>47</sup> Some authors consider that cooperation of White and Keynes was a clash of national interests, rather than collaborative work.<sup>48</sup> While others claim that, although the two economic plans were reflecting the national economic aims and thinking, the economists were united by one particular goal.<sup>49</sup> Both economists shared some ideas on how the future of the economy should operate. First of all, they were certain that the internal economic security, stable currencies and their convertibility were the essential preconditions.<sup>50</sup> It demanded from the nations to use to a certain degree the control instruments in the monetary sphere. However, such attention to domestic policy meant the growing self-isolation of a country. Thus, it was necessary to conduct specific control on the international level what also included countries partly relinquishing their monetary sovereignty.<sup>51</sup> Due to such beliefs, Keynes and White promoted the idea of creating a supranational body to sustain and boost international cooperation.<sup>52</sup> Secondly, both economists highlighted the necessary elimination of the exchange restrictions and assumed the international responsibility on the currency changes of the participating countries.<sup>53</sup> Thirdly, White and Keynes agreed on the necessity for creating a special fund with a certain amount of capital contributed by other countries.<sup>54</sup> It would be provided to the member states as the limited financial assistance for the countries which were to face a deficit, so that they would not use protectionists policies.<sup>55</sup> Finally, the very basic notion which both economists pursued in their plans was to create convenient mechanism for currency convertibility, so that countries with

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<sup>46</sup> Block, Fred. *The Origins of International Economic Disorder: A Study of United States International Monetary Policy from World War II to the Present*. (University of California Press, 1977): 33.

<sup>47</sup> Ikenberry, G. John. 1992. "A World Economy Restored: Expert Consensus and the Anglo-American Postwar Settlement." *International Organization* 46 (1): 297.

<sup>48</sup> Richard N. Gardner, *Sterling-Dollar Diplomacy* (Oxford: Clarendon Press, 1956).

<sup>49</sup> Ikenberry, 297; Bordo, Michael David, Barry Eichengreen, and National bureau of economic research. 1993. *A Retrospective on the Bretton Woods System : Lessons for International Monetary Reform*. (A National Bureau of Economic Research Project Report. Chicago etc.: University of Chicago Press, 1993): 31.

<sup>50</sup> Bordo, 31, 162

<sup>51</sup> Герман Ван дер Вее. *История мировой экономики. 1945-1990* (пер. с фр А. И Тихонова). - М.: Наука., 1994: 167-168. (H. Van Der Wee, *Histoire économique mondiale 1945-1990*.(LGDJ,1994)).

<sup>52</sup> Bordo, 162.

<sup>53</sup> Edward M. Bernstein, *The making and Remaking of the Bretton Woods Institutions*.

<http://www.jahrbuch2001.studien-von-zeitfragen.net/Weltfinanz/Bernstein/bernstein.html> (assessed: 20.03.16).

<sup>54</sup> Bordo, 162.

<sup>55</sup> Ibid; Van Dormael, Armand. *Bretton Woods*. (London: Palgrave Macmillan UK, 1978): 77; The U.S. Department of State, the Office of the Historian, *Bretton Woods-GATT, 1937-1945*. <https://history.state.gov/milestones/1937-1945/bretton-woods> (assessed: 20.03.16).

weaker currencies did not merge into trade blocs against strong currencies as it had happened during the 1930s.<sup>56</sup> However, despite the appeals of both economists for international cooperation, their plans were mainly dictated by the needs and demands of their own countries.<sup>57</sup>

The British officials started their work during the summer of 1941, when one of the most famous and legendary economists, John Maynard Keynes, prepared a draft of the British plan on the recovery of the postwar economy. The plan consisted of the proposal to establish a International Clearing Union and to introduce a new international mean of payments called “bancor” in order to eliminate the disorders generated by the depression.<sup>58</sup> Firstly, the British plan highlighted the power of trade and aimed at demonetization of gold by introducing the new non-cash currency, i.e. “bancor”, for all financial operations. Secondly, his plan envisaged that the members would fix the nominal prices of their currencies and be able to change it only after consultation with the Union.<sup>59</sup> Thirdly, one of the main points of the plan revolved around functions of a Clearing Union. Its objective was to become the agency within which the participants would be able to repay international debts on a multilateral basis and get the necessary capital for the reconstruction. According to the project, the deficit countries would get a loan in bancors to settle the debts. The countries with the positive balance of payments would take the responsibility to help the countries with deficit to adjust their balance of payments.<sup>60</sup> It would seemingly put a considerable burden on the United States, who at the time were believed to be the strongest postwar economic power. To be more precise, the countries with positive balance would have to adjust their economies, while the deficit countries would be conducting their own policies.<sup>61</sup> As a famous economist and the Bretton-Woods participant, Edward Bernstein, claims, Keynes wrote in his letter that such a plan was elaborated with the assumptions that the United States would acquire the creditor position in the postwar period.<sup>62</sup> Block concludes that this plan would give Great Britain the possibility to get a great number of the international credits.<sup>63</sup>

As both Schild and Bernstein holds, the Keynes plan did not take into consideration the economic recovery of the world after the end of the war. The elaboration of this plan reflected mainly the British motives to return Great Britain to the prewar conditions and to preserve the

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<sup>56</sup> Borgwardt, Elizabeth. 2005. *A New Deal for the World: America's Vision for Human Rights*. (Cambridge, Mass.: Belknap Press of Harvard University Press): 88

<sup>57</sup> Van Dormael, 77.

<sup>58</sup> Katasonov, 170-171; Schild, 92-93.

<sup>59</sup> Bernstein (assessed: 20.03.2016).

<sup>60</sup> Bernstein (assessed: 20.03.2016); Schild, 95.

<sup>61</sup> Block, 48.

<sup>62</sup> Bernstein (assessed: 20.03.2016).

<sup>63</sup> Block, 47.

high employment level.<sup>64</sup> According to Block, however, Keynes was concerned with three main issues. First of all, the preservation of employment rate was the essential part, in which he was against the monetary order that would put his aim at risk. Second, at the end Great Britain was left with considerable debts and decreased amount of investments. Therefore, Great Britain would not be able to cover the expenses on food and raw materials imports; thus, the country would have to lower the standard of living or surge the export which would make the country depended. Finally, having in mind the American isolationism, Keynes was concerned that the American state might face crisis again and “behave irresponsibly in its international transactions”.<sup>65</sup>

The official and serious elaboration of the US postwar plans started in December 1941 when the United States officially entered the Second World War due to the surprise attack in Pearl Harbor.<sup>66</sup> On 14 December 1941 Henry Morgenthau, Secretary of the Treasury, asked Harry White to prepare a draft for the postwar period and an “Inter-Allied Stabilization Fund”.<sup>67</sup> In May 1942, Morgenthau spread the draft of the first economic plan in the White House and the Department of State which was the product of White’s work with other Treasury officials and presented the plan to Roosevelt.<sup>68</sup> White described the option of creating two different institutions which “specialized to require different resources and different responsibilities”.<sup>69</sup> However, the Department of State expressed some concerns about settling the economic matters before the political issues were solved and discussed. After thorough discussion it was decided that it was too early to conduct a conference under such tough war conditions, and that the United States would hold numerous bilateral meetings, at which the American and experts from other countries would be exchanging drafts and plans on the postwar economy.<sup>70</sup>

The essence of White’s plan, which became one of the central ideas of the Bretton-Woods agreements, was the elaboration and acceptance of the international agreement which would substitute the gold standard and fix the exchange rate. According to White’s assumptions, the United States would experience at the end of the war a number of unavoidable problems and it would be the America’s task to preserve peace in the world and not let it evolve into another war; and by his belief, it was possible only through international cooperation.<sup>71</sup> Therefore, White claimed it was necessary to establish special agencies with the resources and power, which

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<sup>64</sup> Schild, 92; Bernstein (assessed: 20.03.2016).

<sup>65</sup> Block, 47.

<sup>66</sup> Helleiner, Eric. *Forgotten foundations of Bretton Wood : international development and the making of the postwar order*. (Ithaca, New York: Cornell University Press, 2014): 99.

<sup>67</sup> Ibid, 100.

<sup>68</sup> Ibid, 99-100; Schild, 100.

<sup>69</sup> Helleiner, Eric. *Forgotten foundations of Bretton Woods: international development and the making of the postwar order*. (Ithaca, New York: Cornell University Press, 2014): 100.

<sup>70</sup> Schild, 100–101.

<sup>71</sup> Ibid, 84, 88.



would maintain the postwar peace. His plan aimed at avoidance of another global crisis, when countries would not have to exhaust their reserves and experience the currency devaluations of the 30s.<sup>72</sup> His plan offered to establish the special agency, or fund, with gold and currency stocks contributed by the member states. The fund would keep the exchange rates stable, and the countries would tie their currency to the United States dollar, while dollar would be guaranteed by a fixed amount of gold.<sup>73</sup> In return, they would be able to use those funds for obtaining dollars, gold or the currency of any other state in exchange for the equal amount of their currency.<sup>74</sup> In other words, all currencies were linked to dollar, which was supported by gold, as far as it remained one of the most powerful financial resources. Moreover, according to White's plan, the Fund would work under certain principles with which the participating countries would have to agree. For instance, not to enter bilateral clearing arrangements, to refuse from controlling the foreign exchange transactions which were not approved by the Fund, not to subsidize exports and to lower tariff barriers and other kind of rules. As Schild notes, those were quite serious limitations to the state's sovereignty in the economic sphere. White's plan was supposed to help American production as the economic reconstruction of divested by war states depended on American finances: if the barriers were to be curtailed, the production in the United States would boost, therefore, the American government would assume a dominant role. As Schild concludes, White's plan was developed with the aim to solve the postwar economic difficulties as well as to serve the American interests and other states' needs.<sup>75</sup> As Klaus Knorr states the ultimate economic goal of the United States was to create a workable and stable environment with interchangeable currencies, non-discriminatory trade tariffs and all other conditions which did not work or simply had vanished during the Great Depression period.<sup>76</sup>

In 1943 White and Keynes met to discuss their plans and to come to an agreement. As Block states, the discussion was based mostly on White's plan, because the United States Congress would not agree to adopt the Keynes' plan, i.e. to impose on the US a serious burden of providing extensive credits or adjusting the balance of payments. However, the discussion resulted in a Joint Statement according to which both sides agreed on some fundamental issues, although it still consisted of some ambiguities.<sup>77</sup>

The economists, having remembered the experience of the economic crisis and reform experiments, used it in the elaboration of their plans. They were inspired by the past experience

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<sup>72</sup> Block, 44.

<sup>73</sup> James Boughton, *Harry Dexter White and the History of Bretton Woods*. <http://ineteconomics.org/ideas-papers/blog/harry-dexter-white-and-the-history-of-bretton-woods> (assessed: 18.03.2016).

<sup>74</sup> Schild, 89.

<sup>75</sup> Ibid, 89, 90-92: Boughton (assessed: 18.03.2016).

<sup>76</sup> Knorr, Klaus. "The Bretton Woods Institutions in Transition." *International Organization* 2, no. 01 (1948): 19.

<sup>77</sup> Block, 48, 50.

and policies. For instance, Keynes, whose General Theory consisted of ideas of national management, spread around the world and was supported during the Bretton-Woods conference. In the case of the United States, the officials who were involved in the process of policy-making, were inspired by the New Deal program, which established a new role of the state in economy. They saw the prospective of establishing the New Deal on much broader scale, i.e. the international economy.<sup>78</sup>

## The Soviet Preparations to the Bretton-Woods

However, it is also of significant importance to mention the preparations of another major power, which at end of the war was no less influential than the United States or Great Britain. According to Schild, the postwar goals of the Soviet Union were uncertain and even unknown, and became part of ideological discussions. At that period of time, the conservative part of the US government expected that the USSR would continue to pursue the idea of socialist revolutions across Europe and even the US. In the event that the idea of world revolution would not materialize the conservatives expected worsening of the relations between the Soviets and the US. While the liberals assumed that there was a possibility to develop and strengthen the cooperation between the two new super powers, and that the two absolutely different systems, capitalistic and socialist, might peacefully coexist together.<sup>79</sup>

The Soviet preparations, however, remain mostly unknown as far as the Soviet Union did not produce as much documentation on this matter as, for instance, the United States or Great Britain, and due to the probable reluctance of the Russian government to declassify these kind of documents. As Schild claims, the Soviet Union was a quite closed economic system with rich raw material resources and did not desperately need the financial assistance. Moreover, the Soviets might create their own trading system in Central and Eastern Europe.<sup>80</sup> White, however, explained to his American and foreign counterparts that it was essential to include the USSR into the economic postwar world order. Those statements of White can be easily deduced from his diaries and essays. For instance, Steil provides a few examples of White's manuscripts where the famous American economist claims that the United States and their Western allies were hypocritical in their attitudes toward the Soviet Union and its economic system. As he puts in his notes: "Russia is the first instance of a socialist economy in action. And it works!"<sup>81</sup> Moreover,

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<sup>78</sup> Helleiner, Eric. "A Bretton Woods Moment? The 2007-2008 Crisis and the Future of Global Finance." *International Affairs* 86, no. 3 (May 2010): 623.

<sup>79</sup> Schild, xii.

<sup>80</sup> Ibid, xiii.

<sup>81</sup> Steil, Benn. *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order*. Princeton: Princeton University Press, 2013: 137.

Steil presumes that one of White's main aims was the preservation of the American-Soviet alliance in the post-war world, as far as "key to maintaining world peace would be "a tight military alliance" among the United States, the United Kingdom, the Soviet Union, and possibly China".<sup>82</sup>

However, throughout the first years of the Great Patriotic War, the Soviet Union did not participate in international postwar planning. For instance, in 1943 Molotov, the Soviet Commissar for Foreign Affairs, in his conversation with the Secretary of State Hull, admitted that the Soviet side did not devote enough time to the preparation and studying of the postwar proposals as far as the Soviet Union was involved in a devastating war. Van Dormael states that already in 1943 the copies of the Clearing Union plan were sent to the allies, including the Soviet Union, for the further studying. When Keynes met in London with Ambassador Maisky, the British economist mentioned that papers had been sent to Moscow and asked to send some competent Soviet economists for the discussion of the proposals.<sup>83</sup> However, as Van Dormael states, Maisky, "as usual, grinned and said that all would be much easier if a second front was going on".<sup>84</sup>

Nevertheless, as Schild states, the Soviets decision to participate in the conference is still a matter of debate among Western scholars. Some American delegates claimed that the USSR took part in the conference because they wanted to raise the level of prestige of the Soviet state and to represent oneself as one of the major powers. Another part of American representatives expressed the opinion that the Soviet Union did not really need the Bretton-Woods structures, as far as there was already a completed state trading-state industry system. Moreover, it is also believed that the choice of delegates shows how disinterested and not serious the Soviet Union was since, for instance, a famous Russian academician and economic adviser to Stalin, Evgenii Varga, was absent at the Bretton-Woods.<sup>85</sup>

Schild supposes that Stalin had certain motives for the participation in the international economic discussion. It seems that the consequences and memories of the First World War also influenced the Soviet Union. As far as the Soviets were not invited at the Paris conference 1919, therefore, it was excluded from the postwar planning, Stalin did not want the recurrence of such a scenario. Thus, if the Soviet leader refused to participate he would expel the country from the planning discussions.<sup>86</sup> Moreover, Harold James and Marzenna James state that the participation of the USSR in the Bretton-Woods conference would give the country the possibility to have

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<sup>82</sup> Steil, 40, 41, 350.

<sup>83</sup> Van Dormael, 70.

<sup>84</sup> Ibid, 70-71.

<sup>85</sup> Schild, 103-104.

<sup>86</sup> Ibid, 103.

some influence and to keep an eye on what would happen in the newly founded organizations, and what kind of work would be carried out there.<sup>87</sup>

Nonetheless, the Soviet Union participated in the conference, and as Schild claims, the delegation, which was headed by the Deputy of Foreign Trade Minister, Stepanov M., was quite actively engaged in the discussions. He protected the Soviets interests and tried to achieve the best outcome for his country. Besides, as Schild affirms, the USSR's entry into the Bretton-Woods structures, for instance the IMF, could be explained and motivated by economic reasons. During the interwar years, the Soviet Russian economy was devastated not only by the world war, but also by the October Revolution of 1917 and the ensuing Russian Civil War which had ended in 1922. Therefore, the economic expenses have been enormous and the external debt was constantly growing. The participation of the Soviet Union in the Fund might assure the necessary credit and capital not only from the monetary agency, but even directly from the United States.<sup>88</sup>

A Russian economist, Katasonov, claims that the Soviets participation should not be surprising. Stalin was driven by some tactical reasons when he agreed to cooperate. Firstly, he was waiting to return to his agreement for mutual favors from his counterpart Roosevelt, such as the opening of the second front as early as possible. Stalin was sure that Nazi Germany would be defeated anyway, but with the United States the war could have ended earlier. Secondly, the Soviets received military assistance through the lend-lease program and the contract period was repeatedly extended. Thus, Stalin counted on the further extension of this program. Finally, Stalin expected to receive financial assistance from the United States at the end of the war. Allied relations and obligations required the Soviets' participation in the conference.<sup>89</sup>

Another Russian scholar Starikov stated that the Bretton-Woods event was a bargain for the future world order and it would not be wise to refuse to participate in it. The USSR did not plan to become a rogue, or pariah state, as some countries nowadays are still regarded as such, but to become equal participant in world politics. Furthermore, it was necessary to watch over the steps of the allies and to be up to date by participating in different kinds of projects that were offered by the West partners of the Soviet Union. Finally, the USSR was an equal partner in anti-Hitler coalition and Stalin tended to save this status in the post-war period. As Starikov concludes: "Why should our country not have participated?" After all, participation and signing all documents is not at all the same.<sup>90</sup>

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<sup>87</sup> James, Harold, and Marzenna James. "The Origins of the Cold War: Some New Documents\*." *The Historical Journal* 37, no. 03 (September 1994): 618 - 619.

<sup>88</sup> Schild, 103.

<sup>89</sup> Katasonov, 80, 81.

<sup>90</sup> Starikov, N. V., and Aleksandra Platt. *Rouble Nationalization - the Way to Russia's Freedom.*(Saint Petersburg: Piter, 2013): 61.

Another Russian historian, V. Batuk, claims that quite big number of Soviet officials were positive about the cooperation with the United States.<sup>91</sup> The Second World War proved that the two absolutely opposite countries could work together and be partners. This alliance seemed to be quite stable and even promising. Batuk provides a citation from Varga's work where the Soviet economist stated that the democratic states would change their relations towards the Soviet Union and would aim at working with the Soviet Union against the possible Nazi resurgence and any another aggression.<sup>92</sup> Moreover, Evgenii Varga and his colleagues considered that the political and economic cooperation with the Western countries, specifically the United States, should be preserved and developed even further. Moreover, closer to the end of the war, the Soviet officials prepared different reports on the postwar economic aims, where it was stated that it was necessary to develop countries capabilities not for conducting the rivalry with the Western countries, but for creation of such conditions for the Soviet people which they deserved.<sup>93</sup> Therefore, it meant that in general, the Soviet political elite was not against the development of the cooperation, but to the contrary considered it to be prospective. Finally, it is necessary to add that the Soviet officials also discussed the American credits which the Soviet Union was expecting to receive for recovering its devastated economy. In the reports it was mentioned that the United States Senate discussed this matter and it was vital for the Soviets to get this credit and to use it for the intended purposes as soon as possible.<sup>94</sup>

In this case, it is essential to mention the note written by Maisky, in which he outlined the issues concerning the postwar world order, and the main aims which might be pursued by the Soviet Union in its foreign policy. The note was sent on 11 January, 1944, to Stalin, Molotov and few other high-ranking officials. The document is quite extensive and embraces various areas which were essential for the Soviet long-term security, recovery, welfare and creation of the stable international environment. There are more than twenty points highlighted by Maisky, which in large part included the Soviet borders, the future of most European countries such as Germany, France, Italy, Spain, Portugal, Poland, Czechoslovakia etc., The discussion concerned also Asian and Middle East states, colonies and international organization which could prevent the emergence of new war of aggression. However, in this chapter I will pay attention only to the last part of the note, in which the Soviet official elaborates on economic relations of the Soviet Union with the United States and Great Britain. Maisky states that these countries certainly would have become the main sources of the financial assistance for the Soviet Union in

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<sup>91</sup> Батюк В.И. *Истоки "холодной войны": советско-американские отношения в 1945 - 1950 гг.* (Рос. Науч. Фонд. – М., 1992.): 5.

(Batuk V. I., *The Origins of the Cold War: Soviet-American relations in 1945-1950s.* Moscow, 1992).

<sup>92</sup> Ibid, 14.

<sup>93</sup> Ibid, 15.

<sup>94</sup> Ibid, 15.

its recovery period. The Soviet Union would have been relying on its internal sources, reparations and help of Allies. Maisky claims that as far as this assistance would be vital for the Soviets, it would be wise to get it on favorable to the USSR terms and within the Lend-Lease program. Moreover, the official stresses the importance of starting the negotiations before the war ends, as the US and Great Britain would be more prone to make concessions while still being under the influence of military actions rather than during the postwar period. Nevertheless, it was advised by Maisky to start economic discussions as soon as possible and to receive financial assistance in an extended form of Lend-Lease program and long-term loans, launching right after the war from five to ten years. However, the note does not mention anything about the Bretton-Woods preparation or prospective founding of the institutions.<sup>95</sup>

The Soviet delegates participated in a few preparatory rounds in June 1943; however, they had not revealed the main intentions concerning the IMF, which showed quite a passive position of the Soviet Union.<sup>96</sup> The following nine bilateral meetings<sup>96</sup> were conducted from January to May, 1944, when the officials discussed the work of IMF and IBRD. According to Horsefield, the majority of meetings were devoted to thorough explanation of the origins and significance of the Bretton-Woods institutions to the Soviet delegation. Nevertheless, the more the representatives of the USA and the Soviet Union discussed the prospective financial institutions, the more criticism came from the latter party. Therefore, the author determines, it clearly indicated that the USSR showed its doubt about entering the Bretton-Woods structures.

One of the main points was the gold subscription. First of all, the Soviet delegates insisted on the reduction of subscription to 15%, and for the occupied countries even up to 7,5%. Secondly, the newly mined gold should not be included into the statistics. Additionally, it was important for the USSR to preserve its economic independence. For this reason, the government refused to supply any additional information, except for one, which was discussed and approved by both sides. Thirdly, the exchange rate of the ruble currency should not be controlled by the IMF, because it did not influence the competitiveness of other countries. In addition, the ruble was supposed to be available only in the case where a foreign country displayed willingness to buy any kind of goods within the USSR.

The quotas issue was also a part of the agenda. The Soviet delegates expressed their discontent about the preliminary quota, which totaled approximately \$760 million. The American officials admitted that the Soviet economic power and capabilities were examined

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<sup>95</sup> Майский И. М., *И.М.Майский - В.М.Молотову*, 10 января, 1944.

[http://www.hrono.ru/dokum/194\\_dok/19440110may.php#1](http://www.hrono.ru/dokum/194_dok/19440110may.php#1) (assessed 12.06.2016). (Maisky I. M., *I. M. Maisky to V. M. Molotov*, 10 January, 1944).

<sup>96</sup> Horsefield, J. Keith. *The International Monetary Fund, 1945-1965: Twenty Years of International Monetary Cooperation / Vol. I, Chronicle / by J. Keith Horsefield*. (Washington, D.C.: International Monetary Fund, 1969): 77.

insufficiently due to the lack of necessary statistics. However, White assured the Soviet representatives that he would support the increase of the Soviet quota during the conference.

Beside the quota issue, the Soviet delegation raised also another one, this time concerning the IMF Drawing Rights, during the bilateral meetings on 3rd and 11th of January, and 3rd February, 1944.<sup>97</sup> In particular, the Soviet representative was interested in sanctions which could have been imposed on a member-state that exceed the credit limit. Moreover, the Soviet delegate raised the sanctions issue again during the meeting on 13 March, 1944.<sup>98</sup> He evinced his interest in defining once again what consequences would have ensued for those member-states which misapplied the IMF's resources and did not follow the recommendations, which, according to the IMF, might have caused undesirable outcome to the international community. The American delegates highlighted that only in the case of a country exceeding the limits should the sanctions be imposed.<sup>99</sup> It seems that the Soviet Union had expected to receive an extensive loan from the Bretton-Woods institutions for their economic recovery. Therefore, it was logical to take sanctions into account, as the Soviet Union considered the IMF a considerable source of a financial assistance.

### **Joint Statement by Experts on the Establishment of an International Monetary Fund and the Atlantic City conference**

*The Joint Statement by Experts on the Establishment of an International Monetary Fund* was a result of a numerous meetings between the American and British delegations headed by White and Keynes respectively. It was necessary to reach an agreement on certain aspects in order to facilitate the spread of multilateral free trade, to prevent the emergence of currency restrictions, which were characteristic of the 1930s, and to stabilize the postwar economies.<sup>100</sup> The first round of meetings was organized from September to October, 1943.<sup>101</sup> The delegations included representatives of various government agencies. The US representatives comprised the Treasury officials, the Department of State, the Department of Commerce, etc., while the British commission included the officials from the Treasury, the Board of Trade, the Bank of England, etc. The discussions covered quite a wide range of controversies which arose between the American and British sides. The discussion issues reflected mainly on the differences in the

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<sup>97</sup> Horsefield, 75.

<sup>98</sup> Ibid, 75.

<sup>99</sup> Ibid, 75.

<sup>100</sup> Mikesell, Raymond F. 1994. *The Bretton Woods Debates: A Memoir*. Vol. 192 International Finance Section, Department of Economics, Princeton University Princeton: 24.

<sup>101</sup> Horsefield, 54.

technical means of achieving common goals. The debate included such topics as size of quotas and the aggregate of quotas, the right of members to withdraw, etc.<sup>102</sup>

In the following months, from November 1943 to April 1944, Joint Statement was redrafted multiple times both in the United Kingdom and the United States either by mail or cabling. White and Keynes, together with their colleagues, agreed on other problematic aspects, such as gold subscriptions, changes in exchange rates, excluding the possibility of drawings for capital purposes.<sup>103</sup> During the redrafting process there were still a few disputes which prevented the USA and the Great Britain from officially publishing Joint Statement. Nevertheless, it is important to highlight that when Morgenthau urged the Soviet Union to officially accept Joint Statement and to publish it in Moscow, Molotov, in the conversation with Ambassador Harriman on 21st April, 1944, admitted that the Soviet experts, due to the lack of time, failed to thoroughly study all the proposals, therefore, there was no agreement among them. However, Molotov agreed to join the other countries if it was necessary and urgent. Right after securing the promise from the Soviet Union, the Joint Statement was published the following day in Washington, Moscow, London, Chungking and a few capitals of the Latin America. Although the final agreement included some settled issues that arose among the officials, there were still unresolved matters concerning the IMF as well as the IBRD.<sup>104</sup> However, the final draft of the Joint Statement provided a framework agenda for the Atlantic City conference and the Bretton-Woods.

By April 1944 Henry Morgenthau offered President Roosevelt to conduct the Bretton-Woods conference in July 1944 and to send formal invitations to 44 nations. However, the decision was reached on organizing an additional meeting where the limited number of countries could discuss certain topics in advance, so as to find common ground, and prepare the agenda for the Bretton-Woods. This drafting conference was conducted from 15 to 30 June 1944 with the representatives of 16 countries. The work was divided among four committees devoted to policies, purposes and operations of the IMF. The agenda of the Atlantic City conference was quite extensive and based on the Joint Statement. It included more than seventy discussion points and amendments which were put forward by the delegates from different countries during the preliminary bilateral meetings conducted not only in the United States, but also in Great Britain with the representatives of Belgium, the Netherlands, China, Greece, Norway and India.<sup>105</sup> The degree of complexity and the nature of issues varied, for instance, some officials were not content with the wording, while others did not agree to provide immunity to the IMF and its

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<sup>102</sup> Horsefield, 57-60.

<sup>103</sup> Horsefield, 60-67.

<sup>104</sup> Van Dormael, 117-126; Mikesell, 25-30.

<sup>105</sup> Horsefield, 80; Mikesell, 33; Van Dormael, 156-158.



employees.<sup>106</sup> Moreover, Van Dormael also mentions that White asked the delegates to feel free to express their concerns and opinions. However, he added that once the agreement on those points was achieved, the officials would support the American position.<sup>107</sup> Finally, Van Dormael highlights the position of White who insisted that the meetings proceedings would not be recorded, so that no one could make any reference to it.<sup>108</sup>

As Horsefield notes, it was an “ambitious program”, especially that few days were supposed to be devoted to the IBRD.<sup>109</sup> Therefore, it was possible to consider only the most essential suggestions and controversies, and to leave all the rest to the Bretton-Woods conference. The documents, presented to the invited delegates at the Atlantic City conference, were transformed into another set of documents, creating a base for the next discussion round, which was at Bretton-Woods.

As far as this thesis is devoted to the role of the Soviet Union in the course of events, it is necessary to mention that during the Atlantic City conference the Soviet Union was not a silent spectator. There was a set of objections voiced by the Soviet delegates. First, they demanded to reduce the gold subscription to 50 % because of the extensive damage caused by military actions. Secondly, the officials asked to grant the USSR “a special provision for newly-mined gold”.<sup>110</sup> Thirdly, the Soviet experts highlighted that as far as the state controlled the economy, the USSR could be given a possibility to change the exchange rates of the ruble without consultation with the IMF, because it would not have any effect on the international community. Finally, the Soviets were against the connection of voting powers with the quotas.<sup>111</sup>

At the end of the Atlantic City conference, White prepared a special memorandum for Morgenthau, on which White outlined the points demanding special attention.<sup>112</sup> The document included the Soviet propositions and amendments concerning the IMF regulations. In addition, White mentioned that the British proposal concerning the voting powers should be connected with the economic power of a member-state rather than with the quotas.<sup>113</sup>

## Conclusion

In this chapter my main goals were to provide background information about the Bretton-Woods conference, to outline the origins of the Bretton-Woods plans and the principles of work that

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<sup>106</sup> Horsefield, 87.

<sup>107</sup> Van Dormael, 157-158.

<sup>108</sup> Ibid, 158.

<sup>109</sup> Horsefield, 80.

<sup>110</sup> Van Dormael, 166.

<sup>111</sup> Ibid, 166.

<sup>112</sup> Mikesell, 34.

<sup>113</sup> Ibid.

were conceived by White and Keynes. Moreover, I outlined a set of questions which were important for better understating of the purpose of the Bretton-Woods conference. Bretton-Woods became a certain economic symbol of the century. The currency and trade wars in the interbellum period were the result of grave financial and economic crisis of the 1930s, which inevitably influenced the international society and left a mark. Therefore, the main intentions of two leading powers were obvious: they wanted to take under control the consequences of the war and to minimize the prospective risks and inflation. Major contributors to the postwar planning were Harry Dexter White and John Maynard Keynes. They started their work when the war was still far from its end, which resulted in the White and Keynes plans. The main idea behind them was to create a stable international economic system with an international currency, in which countries would not be depreciating currencies if they had negative balance of payments. The White plan aimed at establishing such system by including the gold standard into the system, as the US accumulated considerable amount of gold; whereas the Keynes plan involved abandoning the gold standard, due to the depleted British gold stocks, and creating of a fund with paper money submitted by its members. After long and complicated negotiations the countries reached a compromise and presented the plan to the other countries during the bilateral meetings and at the Atlantic City conference. Moreover, except for conducting numerous bilateral meetings with foreign delegates, White and Keynes also worked on Joint Statement which created a basis for future negotiations not only at the Atlantic City pre-conference, but also at the Bretton-Woods. It became an essential framework for the postwar planning.

According to some scholars, the Soviet Union took part in the preparation process already in 1943, but they was quite passive during those talks due to active military actions, and because they were not willing to disclose their postwar intentions. The next round of preparation meetings was conducted between January and May 1944. Some authors claim that the Soviet Union did not want to be isolated from the international affairs as it had been after the First World War, when the Soviet Union was not invited to the peace conference. The Soviet Union was an equal partner within the Alliance. Moreover, it was essential for Stalin to contribute to the creation of the new world and to secure the Soviets territorial, economic and political interests. The Soviet delegates participated not only in the negotiations with the American officials, but also took part in the Atlantic City conference. They reminded about the issues essential for the Soviets, such as gold subscription, special provisions concerning newly mined gold and a possibility to change the exchange rate without permission of the IMF, and to assure the independence of voting powers from the quotas. Finally, the Soviet officials were aware that one of the main sources of the postwar economy would be the financial assistance mainly from the United States and partly from Great Britain. Therefore, the Soviets' reports and special notes

prepared for the high-ranking officials highlighted the necessity of developing cooperation with the Western countries; not to compete, but to secure the grant of loans, which would be very helpful for the Soviet Union's postwar recovery.

### 3. The Bretton-Woods Conference

The economic and the trade relationships were reduced significantly during the WWII. The remained trade flows consisted mostly of armaments and ammunition. However, the products of non-military nature, except for food, occupied a minor role in the trading relations. Although the gold standard owing to its collapse in the interwar period was abolished, the gold has remained the main currency of the international payments.<sup>114</sup> In the previous chapter I provided the historical context and the origins of the Bretton-Woods conference, the main intentions of Harry Dexter White and John Maynard Keynes and the role of the Soviet Union in the preparation process. This chapter is devoted to the main subject of the research, i.e. the Bretton-Woods conference. I will answer the following questions: how was the conference work conducted? What were the main controversies which arose during the discussion process? How did the Soviets behave during the conference: were they actively engaged in the discussion process or were they the silent spectators?

#### Before the Conference Began

In the foreword to the draft of the American plan 1943, Henry Morgenthau explained that when the Second World War was about to come to an end, the countries would face various difficulties in the economic and the financial spheres. These problems were not only caused by the war, but also by the unsolved problems that existed before the rise of international conflict, e.g. the financial problems that appeared during the depression period and which were not solved. According to the US, the solution to all issues would be the development of the international cooperation which could eventually boost the recovery and the economic growth of all countries. As Morgenthau stated in his foreword, the outlining of different discriminatory activities in the monetary sphere and finding the solution for this problem were a very vital foundation of the recovery and the revival of international trading and commerce. Therefore, it was appropriate to consider at first the postwar monetary issues.<sup>115</sup> As a matter of fact, problems which occurred on such a global scale could not be solved merely by one country, for this reason it demanded international cooperation.<sup>116</sup> What appeared to be also significant, and what was likewise noted by Morgenthau, the creation of adequate mechanisms and institutions should not be postponed until after the conflict has been resolved, as it would be irresponsible to meet the end of the war unprepared. Finally, Morgenthau claimed that the discussion of those matters could help in

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<sup>114</sup> Katasonov, 55.

<sup>115</sup> McJimsey, George T. *Documentary history of the Franklin D. Roosevelt presidency*. Bethesda, MD: University Publications of America, 2001: 23.

<sup>116</sup> McJimsey, 23.

winning the war, as far as the major powers were to be assured that the victory would not bring the same results as had been in the case after the First World War, i.e. the economic turbulence.<sup>117</sup>

Mikesell, who was not just physically present at the conference, but actively engaged in the preparation period under White's guidance, noted in his memoirs that the timing for the economic planning of the postwar world order was not convenient, as far as countries were engaged in the devastating war process aimed at fighting against the enemy.<sup>118</sup> However, people started to realize the necessity of avoiding mistakes of the interbellum period, which, as a matter of fact, had grave consequences for the world's financial relations. Furthermore, it was believed in the US that the legacy of the First World War in the form of economic catastrophe caused significant debts, trade disruption, various discriminatory practices and lack of countermeasures, fostered emergence and spread of the German aggression. For this reason, the notion of peace for the United States was closely interrelated with the promotion of the economic prosperity across the world, what, in fact, was connected with the spread of free trade and the stable currency rates.<sup>119</sup>

The American government expressed its concerns over the postwar economic difficulties in launching a new program for the Allies. Certainly, the United States, remembering how the European countries struggled to discharge their debts to their country after the First World War, restrained from granting extensive credits to the Allies. However, the US rendered assistance to the allies, but did not insist on immediate payment of it. Instead, they provided countries with the supplies through the "Lend-Lease program".<sup>120</sup> Launched by the United States, the terms of this project allowed other countries to "borrow" the supplies from the United States and delay the payment.<sup>121</sup> As a consequence, the project eliminated the possibility of accumulating postwar debts as it had been the case after the First World War.<sup>122</sup> During the war period more than 30 countries received aid totaling approximately \$50 billion.<sup>123</sup>

However, it was not the solution for the postwar period of reconstruction and prospective problems with the balance-of-payments. As far as the Lend-Lease assistance was to be terminated at the end of active military actions, countries would require significant amounts of

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<sup>117</sup> McJimsey, 23.

<sup>118</sup> Mikesell, 4.

<sup>119</sup> Ibid, 4.

<sup>120</sup> Milestones: 1937–1945 – Office Of The Historian. 2016. *Office Of The Historian, Bureau Of Public Affairs, United States Department Of State*. <https://history.state.gov/milestones/1937-1945/lend-lease> (assessed: 31.03.16); Mikesell, 4.

<sup>121</sup> Milestones: 1937–1945 – Office Of The Historian. 2016. *Office Of The Historian, Bureau Of Public Affairs, United States Department Of State*. <https://history.state.gov/milestones/1937-1945/lend-lease> (assessed: 31.03.16).

<sup>122</sup> Mikesell, 5.

<sup>123</sup> "Milestones: 1937–1945 – Office Of The Historian". 2016. *Office Of The Historian, Bureau Of Public Affairs, United States Department Of State*. <https://history.state.gov/milestones/1937-1945/lend-lease> (assessed: 31.03.16); Katasonov, 56.

financial assistance for the recovery period. In the light of those facts, according to White's plan, the new international institutions would be dealing with balance-of payments issues and economic postwar recovery. Moreover, the United States included in their plans the aspect concerning the elimination of currency and trade blocs which were characteristic for the interbellum period, and wanted to replace such practices with the adoption of stable currency rates and non-discriminatory policies.<sup>124</sup> Although the establishment of such important agencies was vital, Mikesell notes that it was nonetheless not enough: their economic assistance needed to be supported by political international institution, such as the UN, which would deal with the political issues and, eventually, influence the economic problems.<sup>125</sup>

Most of the basic issues, such as the stability of the currency rates, the sources of the Fund, and the conditions for lending money were resolved several months later during the informal meetings with the foreign delegates, who visited the US for consultations. The arising contradictions among the foreign representatives and the American officials were regulated in favor of the latter and resulted in the Joint Statement of Experts on the Establishment of an International Monetary Fund. The issues concerning the International Bank for Reconstruction and Development were given the least attention and were briefly settled prior to the Bretton-Woods Conference at the Atlantic City conference. As Mikesell notes, the questions which were included in the Bretton-Woods agenda were already complicated to settle by 44 nations. Therefore, if most of the basic principles and aspects remained unsolved in advance, the results of the Bretton-Woods would not be so fruitful. The Joint Statement was a framework for the Bretton-Woods conference, at which there was still enough room for the maneuver, including national interests of other countries.<sup>126</sup>

However, there are still a lot of discussions, especially from the economic point of view, about the conference itself. Some historians claim that it had a philanthropic aim: the post-war world was ruined by the devastating war and needed a new monetary order which would help countries to prosper. Therefore, forty-four nations agreed to establish the institutions to help provide the capital to rebuild a war-torn world.<sup>127</sup> Nevertheless, as far as the European economy was exhausted by war, and the USA started developing their potential and concentrating around 60-70 % of the world gold reserves, the entire monetary system was aimed at the accumulation of all gold from victorious countries, as well as the conquest of the world by the dollar

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<sup>124</sup> Mikesell, 5; Rothbard, Murray Newton. *History of Money and Banking in the United States: The Colonial Era to World War II*. (Auburn, Ala: Ludwig von Mises Institute, 2005): 345.

<sup>125</sup> Mikesell, 5

<sup>126</sup> Ibid, 3

<sup>127</sup> Steblovskaya S. *At the Bretton-Woods Resort: Why did the world agree to surrender to the dollar 70 years ago?*, June 2014. <http://svpressa.ru/economy/article/91139/> (assessed: 28.12.2015); Herring, 580.

currency.<sup>128</sup> Therefore, as Katasonov highlights, the American plan of post-war order was adopted, what formalized the new balance of power in the world.<sup>129</sup>

Additionally, Rothbard states in his extensive work on the American economic history, when the United States decided to enter the Second World War, their aims were very simple: the replacement by a new international economic order based upon the dollar instead of the pound. The opposition of two powers lasted throughout the Twentieth Century and only after two World Wars did the dollar manage to take over the leading positions. The lengthy negotiations throughout World War II culminated in the Bretton-Woods agreements. Basically, in the framework of these agreements a compromise was established, “in which the States won the main point: the creation of new multilateral world of fixed exchange rates of currencies based on the dollar”.<sup>130</sup> In other words, they dismantled the sterling zones and the United States main objective expressed by Secretary Morgenthau was achieved: “to move the financial center of the world from London to the United States Treasury.”<sup>131</sup>

Nonetheless, the attempt to solve in advance the future postwar problems was unprecedented. Bretton-Woods gathered more than 730 delegates from 44 states, the participants of anti-Hitler coalition. They arrived at the Bretton Woods for a three-week discussion with the intention of finding the solutions for problems which would inevitably occur in the postwar period.

Mikesell, who was present at the conference, noted in a quite pessimistic way that the conference itself was not intended to achieve the consensus on a number of technical issues concerning the work of the two complex institutions, and the functioning of the world’s financial system in general. The author called the Bretton-Woods a “draft meeting”, the essentials of which had already been discussed and settled by the American and British delegations before the conference even began.<sup>132</sup> In other words, most of the work was already done by Harry White and John Maynard Keynes. As Mikesell noted in his memoires, the delegates from other countries made some proposals which differed from the basic preconference ideas. However, the conference, or the “drafting process”, was well guided by the American delegates and the special technicians who were instructed to prevent the inclusion of foreign proposals into final chapters.<sup>133</sup> Moreover, as far as such a significant amount of foreign representatives was uncommon, everything could easily get out of control.<sup>134</sup> Therefore, it was necessary to organize

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<sup>128</sup> Steblovsckaya. (assessed: 28.12.2015).

<sup>129</sup> Steblovsckaya. (assessed: 28.12.2015).

<sup>130</sup> Rothbard, 345.

<sup>131</sup> Ibid.

<sup>132</sup> Mikesell, 34.

<sup>133</sup> Ibid; Van Dormael, 2.

<sup>134</sup> Van Dormael, 156.

well the conference technicians which would lead the conference into the right direction. In addition to the officials from the Treasury Department, White also invited the staff members of the Department of State and Federal Reserve who eventually became the technical experts of the conference and worked “behind the scenes”. According to White, a considerable part of the success depended on their work and guidance.<sup>135</sup> Finally, for Harry White it was important that the American delegates would be acting as one team. Before the opening of the conference, however, he gave the latest instructions to his colleagues, and answered all of their questions, so that they would be prepared to protect the American interests.<sup>136</sup> Morgenthau, who likewise participated at this final instructing meeting, asked all the officials to voice their discontents and opinions at that particular moment, because after leaving that room, they were obliged to play in one team.<sup>137</sup>

## **The Conference Proceedings and the Soviet Union**

There are no full recordings of all the debates which emerged, for instance in private talks among delegations, or proceedings of all discussions and meetings which took place at the conference. The information which is available nowadays, in most cases, is quite schematic and general. As Mikesell concludes, the most important aspects are to be usually found in the memoirs or unpublished notes of the participants.<sup>138</sup> However, the most significant information, which partly reveals the events of the Bretton-Woods conference, is included in the Transcripts, found by Kurt Schuler and which remained unexposed until 2013. In order to record the conference progress, the Department of Treasury hired a group of stenographers, regardless of the fact that it was not enough to cover and record all meetings and proceedings. The coverage of these documents varies due to the insufficient number of stenographers, and, as it was noted in the Transcripts, owing to the degree of importance of the Commissions.

First of all, it is necessary to note that the entire work of the conference was divided among three Commissions. The Commission I, chaired by Harry Dexter White, dealt with the International Monetary Fund (IMF). It consisted of four Committees which dealt with various aspects of the IMF. For instance, the policies, purposes, quotas, operations, organizational matters, such as management and a number of questions concerning the work of Executive Board, and the status of the IMF.<sup>139</sup> The proceedings of this Commission were covered in the

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<sup>135</sup> Van Dormael, 157, 165.

<sup>136</sup> Ibid, 172.

<sup>137</sup> Ibid, 172.

<sup>138</sup> Mikesell, 35.

<sup>139</sup> Andrew Roseburg and Kurt Schuler, *The Bretton Woods Transcripts* (New York: Center for Financial Stability ,2013): 23-25.



Transcripts almost entirely, including all meetings of the Commission and numerous recordings from the committees' sessions. As the Transcript editors note, the first Commission was a crucial part of the conference and the stenographers, who recorded the work of other two Commissions, were sent to the IMF Commission sessions.<sup>140</sup>

Commission II was chaired by John Maynard Keynes and, according to a number of accessible documents, it was a secondary delegation in contrast to the first Commission.<sup>141</sup> It is possible to find only the transcripts of the second meeting, which took place on the 11<sup>th</sup> of June, 1944. The main focus was put on the International Bank for Reconstruction and Development and its draft agreement. The work of the Commission is described fast and without many discussions. Furthermore, from the available digital photograph of the transcripts it is possible to establish the most frequently uttered words of Keynes, which included: “to make as rapid progress, as we can”; “to begin with a quick-run-through”; “to tackle immediately”.<sup>142</sup> Moreover, he highlighted at the very beginning of the session that the particular Commission could not spend as much time as the Fund Commission. Therefore, Keynes hoped for quick result within the shortest period of time.<sup>143</sup> It is important to highlight that White and Keynes differed in their styles, i.e. White was methodical and systematic so that all the delegates would be able to follow the discussion.<sup>144</sup> The Transcripts show that White led the discussion in a quite thorough manner, giving the delegates the possibility to express their own opinions and concerns, whereas Keynes, realizing the shortage of time, asked the delegates “to interrupt him if he was going too fast”.<sup>145</sup> During the second Commission discussions Keynes was indeed interrupted several times, e.g. by Dean Acheson, assistant of Secretary of State, when he noted that Chairman Keynes was “a little ahead” of the delegates.<sup>146</sup> In addition, Henry Bittermann, the Secretary of Committee 2 Commission II, described Keynes style as confusing, and the reason of it was Keynes' ability to remember a considerable amount of information.<sup>147</sup>

Finally, Commission III was chaired by Eduardo Suárez of Mexico. The third Commission was a discussion group of all ideas which were not added to the agendas of the other two

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<sup>140</sup> Schuler, Rosenberg, 17, 25.

<sup>141</sup> Ibid, 25.

<sup>142</sup> Center for Financial Stability, *The Bretton Woods Transcripts – The Transcripts of the Commission II: World Bank*. [online] Available at: [http://www.centerforfinancialstability.org/bw/Chapter\\_37\\_Commission\\_II\\_July\\_11.pdf](http://www.centerforfinancialstability.org/bw/Chapter_37_Commission_II_July_11.pdf) (assessed: 29.03.2016): 2-4, 6.

<sup>143</sup> Center for Financial Stability. Available at: [http://www.centerforfinancialstability.org/bw/Chapter\\_37\\_Commission\\_II\\_July\\_11.pdf](http://www.centerforfinancialstability.org/bw/Chapter_37_Commission_II_July_11.pdf) (assessed: 29.03.2016): 2.

<sup>144</sup> Schuler, Rosenberg, 26.

<sup>145</sup> Center for Financial Stability, *The Bretton Woods Transcripts – The Transcripts of the Commission II: World Bank*. [online] Available at: [http://www.centerforfinancialstability.org/bw/Chapter\\_37\\_Commission\\_II\\_July\\_11.pdf](http://www.centerforfinancialstability.org/bw/Chapter_37_Commission_II_July_11.pdf) (assessed: 29.03.2016): 6.

<sup>146</sup> Center for Financial Stability, *The Bretton Woods Transcripts – The Transcripts of the Commission II: World Bank*. [online] Available at: [http://www.centerforfinancialstability.org/bw/Chapter\\_37\\_Commission\\_II\\_July\\_11.pdf](http://www.centerforfinancialstability.org/bw/Chapter_37_Commission_II_July_11.pdf) (assessed: 29.03.2016): 7.

<sup>147</sup> Schuler, Rosenberg, 26-27.

Commissions. It was more a recommendation rather than policy-making commission.<sup>148</sup> In general, the Commission conducted three meetings and produced a number of approved proposals on the study of certain issues. The most important recommendation concerned the liquidation of the Bank for International Settlements in Basel, Switzerland, as this institution was according to some delegates involved in an illegal activity, i.e. looting, which was conducted by Nazi Germany.<sup>149</sup> However, the liquidation did not take place. First, the American willingness to accomplish it, represented by Morgenthau and White, faded shortly after the two ardent American critics resigned from the U.S. Treasury Department.<sup>150</sup> Second, not all American officials and other foreign delegates were supporting the BIS liquidation. For instance, undersecretary of State Dean Acheson, President of First National Bank of Chicago Edward Brown, Jan Willem Beyen, leader of the Dutch delegation, few representatives of the British delegation were against the liquidation, what might have “jeopardize a positive outcome” of Bretton-Woods.<sup>151</sup>

As it was previously mentioned, Mikesell stated that the Conference was a “draft meeting” and that most of the results were at that time predetermined. Nevertheless, the discussion emerged and concerned quota issues and countries’ gold subscriptions.<sup>152</sup> It was probably the most difficult task of the Conference to assign the right amount of quotas to all members. Fred Vinson, the Chairman of the Quotas Committee, acknowledged during the seventh meeting on the Commissions I that it was a hard task to determine the appropriate amount of quota, which would suit and satisfy all countries’ demands and expectations.<sup>153</sup> The fund quotas issue was essential as far as it was closely interrelated with drawing rights, but also with the national prestige of those countries and voting power of the member-states.<sup>154</sup>

The basic document for the Quota Committee’s discussion was the Treasury’s list with a few changes that were made since January 1944. Some of those changes were negotiated by White, others by Mikesell with the approval of White. As Mikesell noted, the list which was distributed at the Quota Committee session among the representatives of 15 countries differed from the January’s draft. The modified list with recommendations of the Committee reflected mostly the results which were negotiated by larger countries, and the most notable changes concerned three countries. The Soviets’ amount was raised from \$900 million up to \$1.2 billion, Chinese quota was boosted from \$350 to \$550 million, and French subscription was reduced

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<sup>148</sup> Ibid, 26.

<sup>149</sup> Schuler, Rosenberg, 26.

<sup>150</sup> Ibid.

<sup>151</sup> Ben Wubs, *Beyen at Bretton Woods: ‘...much more significant under the surface.* 2015 (Unpublished): 2, 10-13.

<sup>152</sup> Mikesell, 34.

<sup>153</sup> Schuler, Rosenberg, 55; Horsefield, 98.

<sup>154</sup> Mikesell, 35.

from \$620 to \$450 million. It is of crucial importance to mention that the quota distribution bore White's concepts. After reviewing the list, most delegates expressed their discontent with the quota's amounts and demanded to elaborate how the calculations were made. Mikesell recalls in his memoirs that after becoming aware of the fact that Chairman of the Quotas Committee Vinson was unfamiliar with the formula, he requested his explanation.<sup>155</sup> As Mikesell notes, he tried to make the process very scientific, as well as not to reveal the formula by the request of Harry Dexter White.<sup>156</sup> However, delegates understood that the discussed formula was more of a political nature, rather than economic. Lack of transparency concerning the quotas nature created an atmosphere of mistrust among the delegates.<sup>157</sup>

Mikesell admitted in his memoirs that the quota formula was more of a political nature and the quotas of the Big Four, i.e. the US, Great Britain, the Soviet Union and China, "were determined at highest political level of the United States."<sup>158</sup> As Steil notes, White believed that maintaining the peace rested with the alliance of the Big Four.<sup>159</sup> Therefore, White's main concern was that these four countries received the most considerable quota. What is also remarkable is that White "excluded" France from the ranking, although it was always on the list of the most important economic powers, which later on almost enraged the French representatives.<sup>160</sup> Mikesell, who created the formula, states in his work that while he was working on quotas, he had some freedom in making estimates, so that he would achieve the already predetermined amount that would meet with White's demands.<sup>161</sup>

The negotiations on the size of quota were difficult and challenging. Various sources which discuss Bretton-Woods highlight the discontent of the delegates with the quotas which were assigned to their countries. Firstly, during the Commission's I seventh meeting, which was partly devoted to the discussion of proposed quotas, the representatives from many countries made reservations concerning the quotas and expressed their disappointment. In particular, Iran, China, Greece and India, which highlighted their economic importance, and the delegates of provisional government of the French Republic, expressed their frustration over the assigned quota.<sup>162</sup> Some countries received the quota increase, while the others did not. During the discussion, White, as the main creator of the IMF, tried to persuade the delegates that the quotas would not influence the amount of assistance of the struggling countries. However, he did not clearly emphasize that the quotas were connected closely with the voting power which gave

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<sup>155</sup> Ibid, 35-36.

<sup>156</sup> Ibid; Van Dormael, 166.

<sup>157</sup> Mikesell, 36, 38.

<sup>158</sup> Ibid, 35-36.

<sup>159</sup> Steil, 40.

<sup>160</sup> Mikesell, 22; 37.

<sup>161</sup> Ibid, 22, 35; Horsefield, 95.

<sup>162</sup> Schuler, Rosenberg, 57-58, 60-61, 66.

countries the ability to influence the selection of the Executive Board. As White explained: “the quota measures participation and approximate economic power of the member states”.<sup>163</sup> Oscar Altman, who discusses in his work the quota problem, states that the idea of the assigned quotas reflected the international economic hierarchy, which was the characteristic feature of the conference, rather than the “devotion to mathematical formulas”.<sup>164</sup>

Furthermore, it is necessary to mention the work of Commission II, which was devoted to the IBRD’s activities and drafts. There was no Joint Statement which would serve as a base for the discussion of this Commission. However, the American and the British delegates achieved general agreement on the structure and functions of the Bank in advance during the Atlantic City Conference. Although almost everything was settled, the problematic issue was connected with the USSR. All members had the same quotas in the Bank as they had in the Fund. But the Soviet Union was insisting on saving the Fund’s quotas and lowering the Bank’s quotas up to \$900 million. Despite all the attempts being made by the American and British delegates to persuade the USSR to succumb to agreeing with the quota, the Soviet delegates did not yield. Mikesell supposes that it was the direct order from Moscow not to accept such conditions, as a result, neither diplomatic pressure, nor any other arguments changed the Soviet’s position. Due to this deadlock, White issued the permission from Morgenthau to increase the quotas of other countries – the United States, Canada and China – so that the Soviet’s quota would remain \$900 million and the minimum of the necessary funds would be reached. However, at the end of the Conference, Stepanov declared personally to Morgenthau that Moscow agreed to raise the initial quota to the same amount as the Fund’s.<sup>165</sup> What influenced the Soviet decision? It is highly possible that Stalin was trying to understand how important the Soviets’ position was in this new system and whether the demands of the Soviet state would be met.

Moreover, Mikesell describes in his memoirs how the Soviet delegation behaved in general. Firstly, it seemed that Russians were too afraid to make any decision without cabling to Moscow and asking for the permission.<sup>166</sup> Secondly, they were not interested in discussing certain technical issues, e.g. exchange markets. However, they were quite actively engaged in debating aspects which concerned their national interest, such as member’s subscription, the amount of the financial assistance they could get from both institutions and the mandatory submission of economic information.<sup>167</sup> It was well-known that the Soviet Union was very reluctant about supplying the information and was not ready to start doing it. What is more,

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<sup>163</sup> Ibid, 65.

<sup>164</sup> Altman, Oscar L. “Quotas in the International Monetary Fund.” *Staff Papers - International Monetary Fund* 5, no. 2 (August 1956): 141-142.

<sup>165</sup> Mikesell, 41; Horsefield, 105.

<sup>166</sup> Mikesell, 41; Horsefield, 105.

<sup>167</sup> Mikesell, 41.

Mikesell had significant problems prior to the conference with assigning the quotas for the Soviet Union, as far as it was almost impossible to access the necessary economic information. Finally, the USSR demanded to be free of consulting with the IMF about par value changes, because in the Communist economy the currency convertibility was useless.<sup>168</sup>

Van Dormael provides in his work a more detailed account of the behavior of the Russian delegates, how they were reacting to certain offers and arguments. Moreover, he gives the opinions of a few American bankers, as well as John Keynes. In most sources it is evident that, for instance, White, was a fervent supporter of the Soviets' participation and cooperation with other major powers. There were other American delegates, however, who saw no purpose of USSR's engagement into the financial planning. For example, Edward Brown, the chair of the First National Bank of Chicago, questioned the relevance of the Russian participation in the Fund.<sup>169</sup> The question was motivated by the fact that the Soviet system was self-sufficient and a «complete system of State trading - state industry».<sup>170</sup> Therefore, it was not important for the Russians how much the dollar cost in rubles. The only reason why the Soviets took part was the necessity to find the markets for its gold.<sup>171</sup>

Another American delegate, Goldenweiser, the director of research and statistics of the Board of Governors of the Federal Reserve System, described another important feature of the Russian delegates which probably was very important but stayed unnoticed for some time. Some foreign representatives had not enough knowledge of English to conduct constructive dialogues. As a matter of fact, during the work of Committee 2 of the Commission I, Maletin, who was the chair of the Committee, made the opening speech in Russian and asked his Canadian counterpart to guide the rest of the meeting.<sup>172</sup> However, even Goldenweiser noted that sometimes it was quite hard to understand certain documents not only because of the complexity of the subject, but due to the complicated legal language. According to his recollections, Russian officials were unable to speak English and their translators had quite few language troubles. Moreover, he called the Soviet group as “interesting, which was struggling between the firing squad and the English language”.<sup>173</sup> It seemed that they were too afraid to make any decision and then to encounter the reaction from Moscow. Therefore, they constantly needed to make consultations by cabling.

Finally, John Maynard Keynes expressed his opinion in a letter to his British counterpart

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<sup>168</sup> Ibid, 35-36, 42.

<sup>169</sup> Lavelle, Kathryn C. *Legislating international organization the US Congress, the IMF, and the World Bank*. New York: Oxford University Press, 2011: 49; Van Dormael, 170

<sup>170</sup> Van Dormael, 170.

<sup>171</sup> Ibid.

<sup>172</sup> Ibid, 173; Schuler, Rosenberg, 24.

<sup>173</sup> Van Dormael, 174.

who was preparing to leave to the United States. He described the atmosphere of the conference, where the American delegation was “intolerably tiresome”, and the enormous pressure which was very characteristic of the conference.<sup>174</sup> The Soviet delegation was described in a more detailed manner than it was done by Goldenweiser. Firstly, Keynes observed, like Goldenweiser, the Soviet’s “imperfect knowledge of language” and stated that “one of the most important Delegations, namely the Russians, only understanding what was afoot with the utmost difficulty and expense of time”.<sup>175</sup> However, he highlighted later on in his letter that the relations between British and Russian delegations were quite open and cordial: “We like them exceedingly and, I think, they like us”.<sup>176</sup> Thirdly, he expressed his view that Russians wanted to be more cooperative, but the lack of linguistic knowledge was a significant communication obstacle. Finally, Keynes called the position of Russian delegates as “the most awkward and humiliating” as far as they did not had necessary directions and instructions from the Soviet Government.<sup>177</sup>

## Conclusion

So how was the work conducted? What were the main controversies that arose at the discussion process? How did the Soviets behave during the conference: were they actively engaged in the discussion process or were they the silent spectators?

According to different accounts and memoirs the atmosphere at the conference was quite friendly and appealing to work. Some authors mention that as far as a lot of issues were settled beforehand during the bilateral meetings and at the Atlantic City conference, the Bretton-Woods conference was well-guided by the American officials. The discussions and work were divided into three Commissions, which were working on certain issues. Although the special technicians who worked behind the scenes kept almost all aspects of the conference under control, few issues sparked disputes among the delegates because each part tried to defend not only national interests, but also the prestige of their home countries. The most complicated question, which was quite essential for almost all countries, was the quota aspect. After the assigned quotas were announced to the foreign representatives, they instantly started to object to it and make reservations.

Finally, it is necessary to pay attention to the behavior of the Soviet delegation. Some witnesses state that the Soviet representatives were in a quite controversial position, because they could not make any decision without instructions from Moscow, which were often coming late.

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<sup>174</sup> Ibid, 214.

<sup>175</sup> Ibid, 215.

<sup>176</sup> Van Dormael, 215.

<sup>177</sup> Ibid, 215.

Moreover, the lack of linguistic knowledge also seemed to be a grave obstacle. Even some English speaking officials admitted that the language of the documents was so complicated that it was not a surprise that the delegates from other nations were struggling. Nevertheless, it can be read in the transcripts that the Russians tried to be actively engaged in the negotiations. Although they participated not in all discussions and disputes, they defended their position in issues which were directly connected with the Soviets' national interests. Finally, the Soviet Union got one of the highest quotas, what acknowledged the status and prestige of the country at that time. In addition to the American loans, which were supposed to be granted to the USSR, they could also receive a significant financial assistance from the newly established institutions. Therefore, the results of Bretton-Woods were generally quite promising for the Soviet Union.

## 4. The Aftermath

The Bretton-Woods conference was certainly an unprecedented attempt to avoid the economic collapse in the postwar period. It was probably the main motivation of the nations to adhere to the membership principles which were discussed during the conference. Moreover, by agreeing to such terms, the delegates assumed certain obligations: to follow the newly adopted monetary policies, to cooperate with the Fund, to foster the stability of the currency rates, to restrain from adopting discriminatory policies against each other, and to supply all the economic information that the Fund might need for its work.<sup>178</sup> However, not all participants agreed at first to the establishment of new financial postwar world order and, as a consequence, refused to ratify the Bretton-Woods agreements. This chapter focuses on the possible reasons for the Soviets' refusal to continue cooperating with the Western Allies and to enter the newly created institutions at Bretton-Woods, i.e. the IMF and the IBRD. The chapter seeks answers to the following questions: what were the reasons which made Stalin doubt the effectiveness of the Bretton-Woods institutions? What was the influence of the emergence of the Cold War that split the Allies and transformed their cooperation into the confrontation, on the Soviet Union's refusal to ratify the Bretton-Woods agreements? What was a major stumbling block to an agreement and further cooperation between the USSR and the Western countries?

### The Western View

First of all, it is necessary to mention that the Soviet delegation signed the final agreements and acts of the conference and showed all the signs of joining both Bretton-Woods institutions.<sup>179</sup> According to memoirs of Mikesell, works of Van Dormael and Horsefield, and other available proceedings and documents of the conference, Russians, despite their language difficulties, were still participating quite actively in the discussions concerning the quota, providing economic statistics, the reduction of gold subscription for the countries which suffered from active military actions, etc.<sup>180</sup> Moreover, most of the requests which were made by the Soviets were accepted or taken into account.<sup>181</sup> Therefore, the demands and presence of the Soviet Union were still important aspects of the institutions' building.

Nevertheless, the ratification never took place, and the Soviet Union was the only country of all participating nations to decide to take such an action. Even such countries as Poland or

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<sup>178</sup> Horsefield, 111-112.

<sup>179</sup> Mikesell, 42.

<sup>180</sup> United States, Department of State, *Proceedings and Documents of the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, July 1-22, 1944*. International Organization and Conference Series 1,3. Vol. I. (Washington, DC: United States Government Printing Office, 1948): 1090-1091.

<sup>181</sup> Horsefield, 117.



Czechoslovakia, which suspended their memberships or left the institutions in the late 1940s and early 1950s, ratified the agreements.<sup>182</sup> The USSR nonetheless has never officially explained why it decided not to ratify the Bretton-Woods outcomes. This reaction, to be more precise, a lack of reaction, was probably one of the most controversial issues connected with the conference.

Horsefield provides his own explanations of such a course of events. Officially, the only reasoning which was constantly coming from the Soviet officials was the lack of time to thoroughly study all the proposals and conditions.<sup>183</sup> But Horsefield highlights a set of certain aspects of the Soviets' participation which can partly reveal the truth. The first aspect includes the complications and difficulties which emerged during the discussion between the Soviet and American officials in the first half of 1944, when various foreign officials came to the United State for bilateral meetings. Secondly, the reservations which were made by the USSR during the conference and which were included in the minutes of the Final meeting concerned wording in the Articles of Agreement.<sup>184</sup> However, it is crucial to mention that they did not include the reservations concerning the mandatory provision of information. That is to say, this reservation was never included in the record, although at the conference it appeared to pose a grave problem for the Soviet representatives.<sup>185</sup> Finally, Horsefield admits that it was very possible that the specific period of time played a certain role. Towards the end of 1945, the active war actions were over for several months, but the relations between the Western and the Eastern partners appeared to be strained and gradually became worse and worse, i.e. the Lend-Lease program was suspended and the controversies and suspicion among allies were constantly growing. As the author states, the days of strong cooperation, at least in the financial sphere, passed beyond reclaim.<sup>186</sup>

Mikesell, on the other hand, presumes that the refusal was simply a part of the Soviet isolationist policy from capitalistic countries in the postwar period.<sup>187</sup> Moreover, he notes that one of the reasons might have involved fear of high-ranking Soviet authorities, that Soviet officials could betray the Communist principles while they were working with the Western partners in the IMF and IBRD.<sup>188</sup>

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<sup>182</sup> Helleiner, Eric. *Forgotten foundations of Bretton Woods: international development and the making of the postwar order*. (Ithaca, New York: Cornell University Press, 2014): 269.

<sup>183</sup> Horsefield, 117.

<sup>184</sup> Horsefield, 117; United States, Department of State, *Proceedings and Documents of the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, July 1-22, 1944*. International Organization and Conference Series 1,3. Vol. I. (Washington, DC: United States Government Printing Office, 1948): 1090-1091.

<sup>185</sup> Horsefield, 117; *Proceedings and Documents of the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, July 1-22, 1944*:1090-1091.

<sup>186</sup> Horsefield, 117.

<sup>187</sup> Mikesell, 42.

<sup>188</sup> *Ibid*, 42.

Knorr provides his reasoning on why the Soviet Union did not ratify the Bretton-Woods outcome. First, the USSR did not have the right to veto and was on the third place according to the assigned quota, after the United States and Great Britain. This was unacceptable for the country which prioritized the international prestige. Second, the author mentions the reason which various scholars point out in their works, is the furnishing of certain economic statistics. Knorr highlights that the Soviet Union considered this information as secret and did not tend to disclose it. Third, the establishment of both Bretton-Woods institutions was aimed at promoting and securing the multilateral free trade, and creating of stable environment for the development of the free-market economy. However, as Knorr concludes, the USSR's aims differed from the goals of the Western partners.<sup>189</sup>

Benn Steil also states his thoughts on the topic. The Soviet delegates expressed their worries about their lack of time to study all the aspects of the agreements.<sup>190</sup> Therefore, at the inaugural meeting at the Savannah conference in 1946 there were no serious economic technicians, but only low-ranking Soviet officials.<sup>191</sup> Thus, Steil assumes that such choice of representatives showed the attitude of the Soviet Union towards the Bretton-Woods outcome and newly founded institutions. However, the author claims that in reality the Soviet officials had enough time to study it, even scrutiny the documents, and to prepare the analysis of the report. In the report it was stated that as far as the USA did not offer the credit to the Soviets, the participation of the Soviet Union would be regarded as a weakness. In order to avoid it, Moscow should show the independence in that matter and refuse to ratify the Bretton-Woods agreement and not participate in the newly established agencies. Although Steil highlights that Stalin surely had other reasons for rejecting Soviet commitments to the American-dominated economic institutions, the author does not specify which reasons.<sup>192</sup>

Schild highlights the necessity to pay attention to some aspects of the Bretton-Woods agreement, which could make the presence of the Soviet Union in Bretton-Woods institutions quite complicated. For instance, the IMF charter basically acknowledged the dominating position of the United States both in the economic and the financial spheres. Therefore, would it be actually profitable for Stalin to participate in an international organization, where the Soviet Union occupied not the first and not even the second place? Moreover, despite receiving a bigger quota, the Soviet Union would be obliged to publish certain economic information, such as national gold production and reserves. Although the United State had their own assumptions and

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<sup>189</sup> Knorr, Klaus. "The Bretton Woods Institutions in Transition." *International Organization* 2, no. 01 (1948): 35

<sup>190</sup> Steil, 290.

<sup>191</sup> Ibid.

<sup>192</sup> Ibid.

calculations, the Soviet Union considered such information secret and was simply reluctant to disclose any statistics.<sup>193</sup>

## The Russian View

Russian economist Katasonov states that in the proposed financial system, the Soviet Union's position and increased quota did not represent its status as a major power. Moreover, the author highlights that if the Soviet Union had entered the system, the country would truly have lost that status. The USSR would not be a partner of the US, like Great Britain, but a second-rate country.<sup>194</sup> As an illustration of this statement the author discusses the distribution of quota, that is, the available quantity of votes for countries.<sup>195</sup> The total Fund subscriptions amounted to \$8.8 billion. The biggest quotas were assigned to the United States (\$2.75 billion), Great Britain (\$1.3 billion), the USSR took the third place (\$1.2 billion), whereas China was assigned \$550 million quota.<sup>196</sup>

Furthermore, another Russian scholar Starikov discusses the possible reasons for the Soviet refusal. Starikov claims that the participation of the Soviet Union did not mean that the Soviet state was obliged to ratify the documents. The author states that the Bretton-Woods was a bargain for the place in the postwar world order and it would not be a wise move to refuse to take part in the conference. The USSR did not plan to become a rogue, or pariah state as some countries are still referred to as, but to become an equal participant in the world politics. Besides, it was necessary to watch the steps of the allies and to be up to date by participating in different kinds of projects that were offered by the Western partners of the Soviet Union.<sup>197</sup>

To begin with, Starikov stresses that in order to understand the reason why Stalin did not ratify the document, which would “undermine the Soviet financial independence”, it is necessary to take the agreements into detailed consideration.<sup>198</sup> He explains that things seemed to be as follows: as far as a considerable amount of gold and production was situated in the United States, therefore, only the USA would be able to assure the gold parity of its currency. Thus, the postwar economy would be built on the dollar currency, where one troy ounce of gold would cost 35 dollars. Other currencies would be defined in gold parity in relation to dollar. In addition, devastated by the war Europe lacked almost everything, such as materials, food and equipment.

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<sup>193</sup> Schild, 104.

<sup>194</sup> Katasonov, 78.

<sup>195</sup> Ibid, 78.

<sup>196</sup> United States, Department of State. *Proceedings and Documents of the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, July 1-22, 1944*. International Organization and Conference Series 1,3. Vol. I. (Washington, DC: United States Government Printing Office, 1948): 634.

<sup>197</sup> Starikov, N. V., and Aleksandra Platt. *Rouble Nationalization - the Way to Russia's Freedom*. (Saint Petersburg: Piter, 2013): 61.

<sup>198</sup> Starikov, 62.

As far as it was possible to get various goods and other necessary supplies only from the USA, which accepted gold or its own currency, it was more convenient for countries to trade in dollars. As a result of the conference, the US dollar became the main world currency. The wealth of countries started to be valued not in the neutral gold, but in the currency of one of the leading countries, what gave this particular country multiple advantages.<sup>199</sup>

What is more, Starikov pays attention on several aspects which might have influenced the decision of Stalin not to enter the Bretton-Woods institutions. First, the central banks and the emission of money would be subordinated to the newly founded Bretton-Woods institutions. As far as the central banks of countries are included in the IMF agencies, they are obliged to fulfill all norms and follow the instructions. After considering the Articles of Agreement, it becomes evident that “the American government mainly decides on the further actions of the Fund, because the United States has the biggest quota”.<sup>200</sup> In the author’s opinion the statements about maintaining the international economic stability covered and hid the intentions to build a structure designed to connect all currencies to the US dollar. The second aspect, which is highlighted by the author, is how the IMF’s board had to be elected and the headquarters disposition.<sup>201</sup> The employees are elected not by the democratic principle “one country - one vote”, but by weighted voting system, because “the IMF is not a discussion club, but rather an instrument of influence”.<sup>202</sup> Furthermore, the headquarters had to be situated not, for instance, in Brazil or Great Britain, but in the US, in the country with the biggest quota, what is also indicated in the IMF’s articles.<sup>203</sup>

The author concludes that in 1944 the US had the most powerful economy and this fact was instantly reflected in the Bretton-Woods agreements. As far as the United States and their partner Great Britain had the major quotas, they could easily carry any resolution to their own benefits. Thus, the future perspectives for the USSR were not very favorable, because the IMF guides the work of central banks: the control would be given to the IMF, which would be managed from Washington. Therefore, Stalin decided not to sign the Bretton-Woods agreements not because he was “opposed to capitalism” or because he “was a dictator”, but because in his view it was not advantageous for the Soviet Union.<sup>204</sup>

Pechatnov claims that the Soviet request for the postwar loan was an essential part of the ratification for the Soviet Union. But the Soviet demand was at first “lost” in the papers of

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<sup>199</sup> Starikov, 62-63.

<sup>200</sup> Ibid, 63-65.

<sup>201</sup> Ibid, 65.

<sup>202</sup> *Articles Of Agreement Of The International Monetary Fund*, 2016 Edition. 2016. Imf.org <https://www.imf.org/external/pubs/ft/aa/>; Starikov, 65 – 66.

<sup>203</sup> *Articles Of Agreement Of The International Monetary Fund*, 2016 Edition. 2016. Imf.org. <https://www.imf.org/external/pubs/ft/aa/>; Starikov, 66.

<sup>204</sup> Starikov, 68.

American government. However, later on in addition to getting this loan, the Soviet Union had to fulfill various political conditions and requirements outlined by the United States. The author states that the fear of opening up of the Soviet economy prevented the USSR from ratification and entering the Bretton-Woods institutions. Therefore, the economic and political cooperation diminished significantly, what made the emergence of the Cold War more evident and real.<sup>205</sup>

However, the Second World War clearly showed that the two opposite systems, the socialistic and capitalistic, could not only be rivals, but also partners and cooperate with each other. At some point in history it seemed that countries would preserve their alliance. For instance, one of the most influential Soviet economists, Evgenii Varga, who was the head of the Institute of the International Economy and International Politics, as well as respected by Stalin for his wide and deep knowledge of the international economy, assumed that collaboration of capitalistic countries and the Soviet Union could be promoted to a much higher level. Varga wrote two quite extensive works on the examination of the capitalistic economies. The first book was published in 1946 and was devoted to the economy of the capitalist economy and its further development after the WWII.<sup>206</sup> The author analyzes various aspects, such as the increasing role of the government in the economy, economic regulations and lack of planning in the wartime period, inflation rates, plans for stabilizing the currency fluctuations at the end of the war etc. First, he claims that according to the laws of imperialism, both the US and Great Britain would strive to enlarge their spheres of influence.<sup>207</sup> Great Britain would aim at creating the “West European Bloc” like a counterweight to the Soviets’ influence and unite all the colonial powers (except the United States) for the protection of the colonies.<sup>208</sup> While the United States would concentrate their efforts on drawing China into the American economic sphere of influence, strengthening the ties with the English dominions and, eliminating the chances of Japan for achieving the domination over the Pacific ocean. Consequently, the emerging controversies between the two former Allies would become the main controversy in the capitalistic world itself.<sup>209</sup>

Secondly, the attitude of the Western countries towards the USSR would change and become different from how it was in the prewar period. The democratic states would seek to cooperate with the Soviet state and unite against the possible reemergence of fascism and any other kind of aggression. Although some internal political forces would seek to provoke the rise

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<sup>205</sup> Melvyn P. Leffler, David S. Painter, *Origins of the Cold War: An International History* (New York: Routledge, 2005): 101.

<sup>206</sup> Евгений Варга, *Изменения в экономике капитализма в итоге Второй Мировой Войны* (Политиздат, 1946): 5-6

(Evgenii Varga, *The Changes in the Capitalism Economy at the end of the Second World War* (Politizdat, 1946)).

<sup>207</sup> Ibid, 15, 34, 51, 67, 116, 227, 318-319.

<sup>208</sup> Ibid, 319.

<sup>209</sup> Ibid, 319.

of controversies and tension between the two systems, the governments would reckon with the Soviet power, which had been shown during the war, and which would not venture into another armed conflict. Therefore, one of the main objectives of the international organizations would be the preservation of peace and collective efforts to avoid the controversies clash that might emerge.<sup>210</sup>

At the very beginning the publication was taken positively. However, already in 1947 his work was heavily criticized owing to the position of the author, whose opinion was stated in the book. For instance, the ideas that the increased role of the state in the capitalistic economies would prevent those countries from economic crises were not favorable among the loyal Soviet state officials. Moreover, the main opponents of Varga claimed that the book distorted the Marxist idea of the capitalistic decay and crisis, and Varga himself “did not understand the essence of state capitalism”.<sup>211</sup> Finally, he was accused of not trying to examine postwar capitalism from the point of view expressed by Stalin, i.e. according to whom the capitalistic world would soon start experiencing a severe postwar crisis. In addition, another point of critique was devoted to the separation of politics from the economic facts in his analysis. In other words, according to the main accusation, Varga “made wrong estimates of political and economic situations in the capitalistic states and did not understand the forthcoming crisis in those countries”.<sup>212</sup>

Nevertheless, not only Varga presumed that it would be profitable for all Allies to promote cooperation in the economic and political spheres to a new and higher level in the postwar period. One of the employees of the Institute of the International Economy and International politics V.I. Kaplan claims that numerous amounts of extensive notes were prepared for the high-ranking Soviet officials concerning the further development of the Soviet Union and efficient ways to make it stable and profitable for the country. Many researchers of the Institute saw the necessity of continuing working with the Western Allies, especially with the United States, who had provided considerable assistance through the Lend-Lease program during the war. In the postwar period, along with ruined economy and raging famine of 1946, the hopes for recovery were mostly connected with the extension of the American assistance.<sup>213</sup> Those hopes had certain grounds as the American Senate took into consideration granting an extensive loan to the Soviet Union for recovery and reconstruction of the devastated economy.<sup>214</sup> Therefore,

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<sup>210</sup> Varga, 319.

<sup>211</sup> Черкасов П. П. ИМЭМО: Институт Мировой Экономики и Международных Отношений: Портрет на фоне эпохи (Весь Мир, 2004): 44 (Cherkasov, P. P. Institute of World Economy and International Relations: the Portrait at the end of époque (Vesmir, 2004)).

<sup>212</sup> Ibid, 45.

<sup>213</sup> Ibid, 57.

<sup>214</sup> Foreign Relations Of The United States, 1946, Eastern Europe, The Soviet Union, Volume VI – Office Of The Historian. 2016. <https://history.state.gov/historicaldocuments/frus1946v06/ch10> (assessed 23.03.16).

economists of this Institute prepared special reports and notes for Stalin and Molotov recommending them “to get the loan as soon as possible and to use according the initial intentions”.<sup>215</sup> The notes consisted of various explanations of the benefits for the Soviet Union and Soviet people from the cooperation with the Western partners.<sup>216</sup> Moreover, it was presumed that the perspective of getting financial assistance depended on stable relations with the United States. Such assumptions were described in a special paper which was prepared specifically for Stalin by Kaplan in 1947. In the note it was stated:

If the Soviet Union entered the armament race with the United States, then the Soviet state would not reap the fruits of the victory in order to improve the living conditions of people. Taking into the consideration quite a big difference in the productivity levels and national income, the armament competition would become a graver burden for the USSR, rather than for the United States. The true world influence would depend on the productivity capacities and standard of living. In contrast, the competition would lead to the constant increase of military expenditures, what would trigger a significant stagnation and even degradation of living standards.<sup>217</sup>

Naturally, the paper expressed the opinion, that the USSR was too weak to conduct an arm race, and “the capitalistic world” through the government control would avoid its own crises.

Finally, Batuk also claims that not only the researchers and various economists who were studying the international economic relations, but also the representatives of the various Soviet governmental institutions, such as the Ministry of External Relations or the Ministry of Finances, supported the idea of cooperation with the Western allies. For instance, participating in the Bretton-Woods conference and further entering into the established structures were seen as a good perspective for the Soviet Union to get more economic assistance for the postwar recovery. As it was stated in the report of the Soviet delegation, the formalization and fixation of currency relations between countries, the gradual cancelation currency restriction and other discriminatory policies did not contradict the interests of the Soviet Union. Moreover, it was noted that after the USSR had entered the Bretton-Woods structures, it would get the possibility to derive from the IMF some economic profits. Finally, the report included the recommendation to be engaged in the Bretton-Woods agencies, as far as it would show the willingness of the Soviet Union to cooperate. The authors of the work highlighted that the refusal might provoke the opposing

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<sup>215</sup> Cherkasov, 57.

<sup>216</sup> Batuk, 8.

<sup>217</sup> Cherkasov, 57-58.

authorities within the American and the English governments who did not support the idea of postwar cooperation between the two opposite systems.<sup>218</sup>

## Declassified Reports on the Bretton-Woods Institutions

As a matter of fact, a few of such reports, concerning the Bretton-Woods institutions, were declassified and are available now for public use. The first document is, for instance, a special memorandum on the IMF and IBRD, as well as the Soviet additional propositions to the agreements were prepared for A.P. Morozov, the Chief of the Monetary Division of People's Commissariat for Foreign Trade on 3 April 1945 under the instructions from M. S. Stepanov, Deputy People's Commissar of Foreign Trade. This document contains the basic explanations on how the Bretton-Woods institutions function and whether certain points of charters would contradict the Soviet legislation.<sup>219</sup> The report considers 14 different principles of the Bretton-Woods institutions, and each point of the discussion ends with certain set of recommendations on the further steps of the Soviet Union. Some aspects of this memorandum are specifically noteworthy as far as they might provide insight into what were the Soviet intentions and plans on the financial institutions in general.

The first issue was to define the par value of the Soviet ruble in gold and not in the currency of the foreign state, because it was a matter of international prestige and the role of the Soviet Union in shaping the economic and the political postwar world order.<sup>220</sup> The second important issue which demands attention was the furnishing the Fund with the information, which the IMF might request for its work.<sup>221</sup> This information included the amount of gold and currency stocks, various statistics and indicators. The report suggests that the People's Commissariat for Finances estimated all the gold and dollar reserves which were supposed to be reported according to the agreements, and provide this information for further consideration to the Soviet government first.<sup>222</sup> As far as other data is concerned, for instance, the stocks of foreign currency abroad and inside the country, the import and export, national income, price index etc., it was recommended to keep such information in the Soviet financial institution, "preferably" the State Bank of the USSR (Gosbank).<sup>223</sup> This agency would be appointed by the

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<sup>218</sup> Batuk, 8.

<sup>219</sup> Докладная Записка С Предложениями СССР К Соглашению О МВФ. 5 Апреля 1945 Г. | Проект «Исторические Материалы». 2016. <http://istmat.info/node/40541>. (The Memorandum on the Soviet Propositions to the IMF Articles. 5 April 1945. The project "Historical materials").

<sup>220</sup> Ibid, 2.

<sup>221</sup> Ibid, 14.

<sup>222</sup> Ibid, 17.

<sup>223</sup> Ibid, 23, 29.



Soviet government to deal with the Fund's requests.<sup>224</sup> One of the most essential points which must be highlighted, is that the report recommended to provide all the necessary information but still to reduce it to the minimum.<sup>225</sup> Therefore, it is possible to presume that the point concerning revealing certain information was not disturbing and that the Soviet officials were ready to provide at least the basic statistics.

The third issue, which seemed not less important for the Soviet Union was the acceptable rate of fluctuations in currency rates. The commission, which prepared the report, concluded that, as far as there was a currency monopoly in the Soviet Union, which did not contradict the Fund agreements, the Soviets should not object to this aspect, and offer the Gosbank to establish currency rates in the necessary ranges.<sup>226</sup> The fourth issue was the ratification of the agreements. As it is stated in the report, the ratification deadline was set of 31 December 1945. The officials noted that ratification would depend on the US decision on signing the agreements, because according the US constitution, such step should be approved by the Senate.<sup>227</sup> Once approved, the American government would stimulate the signing of the Bretton-Woods agreements. Therefore, it was necessary to coincide the Soviet Union entrance with the US joining of the new financial institutions, necessarily before the end of the ratification deadline which was due on 31 December 1945. In that case, the Soviet Union would save its initial quota assigned to it at the Bretton-Woods conference, because countries which failed to reach a decision before this date, would have a possibility to enter the financial institutions only on the terms outlined by the IMF and IBRD.<sup>228</sup> Finally, the last but not the least issue concerned the Soviet representatives in the managing organs of the institutions. The report highlights that the presence of the Soviet officials would be important not only for influencing the policies, but also for obtaining all the information on the work of the structures. Under these circumstances, it was advised to choose 15 competent officials for the executive positions in the IMF and IBRD, 35 employees would be admitted as technical experts and organize special preparatory courses for the selected representatives.<sup>229</sup>

Furthermore, few other documents demonstrate that the Soviet officials were following the situation which was taking place in the US Senate. To be more precise, the discussion on the ratification of the Bretton-Woods outcome, the decision on which, eventually, was achieved by long and very complicated struggle among several influential groups within the Senate. The second document is the note from 11 January 1945, which outlined the main controversies being

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<sup>224</sup> Ibid, 24.

<sup>225</sup> Ibid, 26.

<sup>226</sup> Ibid, 20.

<sup>227</sup> Ibid, 27.

<sup>228</sup> Ibid, 27-28.

<sup>229</sup> Ibid, 30-31.

voiced during the Congress debate.<sup>230</sup> The discussion points to the IMF which revolve around: the purpose of the Fund, which are very vast and contradictory; the quota system as a criterion for getting access to the fund's resources seemed to be ineffective; the organization and technical conditions of the fund were too complicated, therefore the work might not be productive etc.<sup>231</sup> As for the IBRD, officials expressed an opinion that this agency would not bring any real benefits, the credit risk would be too high because mostly weak countries would constitute the main debtors; it might be presumed that in the postwar period the dollar would become a scarce currency and members would not get the sufficient sums; the work organization was too complicated etc.<sup>232</sup>

The third document proves that the Soviet Union was following the US governmental debate on the necessity of ratification. The note on the Bretton-Woods agreements, June 11, 1945, explains how the decision was reached on the 7 June 1945: what were the main points of the critique and who exactly was against the bill adoption.<sup>233</sup> One of the most notable aspects of this note might be the part in which the author of the report mentions "slandorous attacks against the Soviet Union" which were made by certain congressmen.<sup>234</sup> Congressman Sumner and Congresswoman Smith claimed that the USSR would use the Fund's resources for the postwar reconstruction.<sup>235</sup> However, the report states that there was other group of the American officials, who criticized those statements about the Soviets.<sup>236</sup> Congressmen Patman and Baldwin highlighted a valuable contribution of the Soviet state to establishing peace and expressed regrets that such addresses were taking place, aiming at deterioration of relations between two strong allies.<sup>237</sup>

The fourth and the last set of documents, which are available and can show the Soviet reactions and intentions, are the report from 27 July 1945 and 2 August 1945. The first work was again devoted to the discussion of the Bretton-Woods agencies, proposed by congressmen's amendments and finally the agreement on the ratification of Bretton-Woods.<sup>238</sup> The report

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<sup>230</sup> *Записка О Проектах МВФ И Международного Банка*. 11 Января 1945 Г. | Проект «Исторические Материалы». 2016. <http://istmat.info/node/40553>: 2. (The Note on the IMF and International Bank Projects. 11 January 1945. The project "Historical materials").

<sup>231</sup> Ibid, 2-4.

<sup>232</sup> Ibid, 4-5.

<sup>233</sup> *Записка О Бреттонвудских Соглашениях*. 11 Июня 1945 Г. | Проект «Исторические Материалы». 2016. <http://istmat.info/node/40544>: 1 (The Note on the Bretton Woods Agreements. 11 June 1945. The project "Historical materials").

<sup>234</sup> Ibid, 2.

<sup>235</sup> Ibid.

<sup>236</sup> Ibid.

<sup>237</sup> Ibid.

<sup>238</sup> *Записка Об Обсуждении Проектов МВФ И Международного Банка В Сенате США*. 27 Июля 1945 Г. | Проект «Исторические Материалы». 2016. <http://istmat.info/node/40546> (The Note on the Discussion of the IMF and the International Bank Projects in the US Senate, 27 July 1945. The project "Historical materials").

highlights that the debate lasted for 3 months and, as a matter of fact, the campaign for the support of the Bretton-Woods institutions was pretty active and facilitated by the American government. The opposition, on the other hand, was strong during the process.<sup>239</sup> The second document might prove to be of greater value, as far as it is the last evidence that was prepared closer to the ratification deadline.<sup>240</sup> The report was addressed to Anastas Mikoyan, People's Commissar of Foreign Trade, in which the nature of amendments adopted by the United States was outlined.<sup>241</sup> One of the offered modifications concerned the provision for furnishing the IMF with the economic information.<sup>242</sup> During the debate in the United States it was proposed to limit the amount of information demanded by the fund, which might reveal the operations of individuals, private corporations and associations. The report notes that this particular point might be very advantageous for the Soviet Union, because then the USSR would be able to avoid providing too detailed information.<sup>243</sup>

Therefore, the described documents demonstrate that the Soviet Union was seriously considering the possibility of entering the Bretton-Woods agencies. At first, the Soviet technicians offered certain amendments to the agreements. Moreover, it was recommended to the high-ranking officials to make the ratification decision as soon as possible, right after the American ratification, and to enter the financial institutions before the deadline. Nevertheless, there are no documents which can give the definite reasons of the Soviet refusal.

## The End of the Grand Alliance

### The Loan Negotiations

The perspectives of further development of the cooperation between the USSR and the USA on a bilateral level and within the new international organization were promising. The Soviet Union was showing signs of willingness to cooperate, whereas the United States seemed to facilitate these intentions. However, there were some events which influenced the relations of the two countries which participated together for a better future. Unfortunately, it is almost impossible to say when the deterioration between the Soviets and the Americans started and what the main

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<sup>239</sup> Ibid, 2-3.

<sup>240</sup> Докладная Записка А.И. Микояну О Валютном Фонде И Банке Реконструкции. 2 Августа 1945 Г. | Проект «Исторические Материалы». 2016. <http://istmat.info/node/40543> (The Memorandum for A.I. Mikoyan on the IMF and the International Bank, 2 August 1945. The project “Historical materials”).

<sup>241</sup> Ibid, 1.

<sup>242</sup> Ibid, 2.

<sup>243</sup> Ibid.

trigger was. However, it is possible to outline certain events which might have had strong influence.

One of the potential reasons for the emerging gap between the two Allies might have been the abrupt termination of the Lend-Lease program and postponing of granting a loan to the Soviet Union. The entire discussion between the countries and numerous attempts took place in 1944-1946. On the 3 January 1945, V. Molotov, People's Commissar for Foreign Affairs, handed to Harriman, the American Ambassador, a memorandum with the conditions under which the Soviet Union would like to get the credit. The document stated that due to the repeated offer of the American government, the USSR would like to get a \$6 billion loan, which would cover orders for a number of certain goods, such as oil pipelines, locomotives etc., and "other equipment placed under Lend-Lease, but not delivered to the Soviet Union before the end of the war".<sup>244</sup> The payment period would last for 30 years with a 2.25 annual interest rate.<sup>245</sup> Harriman states in the telegram that he highlighted specifically to Molotov that the moment for discussing these issues was favorable for arriving at the Final agreement on Lend-Lease program for the war period and preparing a basis for the postwar credit negotiations.<sup>246</sup> However, Molotov pointed out to Harriman, that the Soviet-American relations must be based on solid economic grounds.<sup>247</sup> As Harriman notes, it seemed that Molotov wanted the American government to be aware of the Soviets' demands.<sup>248</sup> Indeed, various scholars put emphasis on the credit demands of the Soviet Union and state that it was an essential issue for the Soviet Union.<sup>249</sup> On the one hand, the country was devastated by war actions, on the other hand, the internal market demand was enormous.

Moreover, the Ambassador Novikov recollects in his memoirs that the Soviet Union made another request to the United States in autumn 1945, as far as Lend-Lease program had been suddenly suspended by Truman on 11 May 1945. Although the expiry date was 30 June 1945, the Lend-Lease commitments became subject for a review by the US government "due to changed military situation".<sup>250</sup> To be more precise, the end of military actions in the European

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<sup>244</sup> United States Department of State / Foreign relations of the United States: diplomatic papers, 1945. Europe (1945): 942.

<sup>245</sup> Ibid, 943.

<sup>246</sup> Ibid, 944.

<sup>247</sup> Ibid.

<sup>248</sup> Ibid.

<sup>249</sup> Leffler, 10; Batuk 5, 19; V. M. Zubok, *A Failed Empire: The Soviet Union in the Cold War from Stalin to Gorbachev*, The New Cold War History (Chapel Hill: University of North Carolina Press, 2007): 51; Новиков Н. В. *Воспоминания дипломата*. (М.: Политиздат, 1989). Available online at:

[http://www.e-reading.club/bookreader.php/41929/Novikov - Vospominaniya diplomata.html](http://www.e-reading.club/bookreader.php/41929/Novikov_-_Vospominaniya_diplomata.html)

(Novikov N. V., *The Memoires of the Diplomat*, (Politizdat, 1989)); Harold James and Marzenna James, "The Origins of the Cold War: Some New Documents," *The Historical Journal* 37, no. 03 (September 1994): 618.

<sup>250</sup> United States Department of State / Foreign relations of the United States: diplomatic papers, 1945. Europe (1945). <https://history.state.gov/historicaldocuments/frus1945v05/d750> (assessed: 15.06.2016); United States

countries; the postponing of declaration of war to Japan by the Soviet Union; the entrance of the Soviet Union into Soviet-Japanese War “at the future date”.<sup>251</sup> It came as a complete surprise to the Soviet officials and was condemned by Stalin himself.<sup>252</sup> Both Zubok and Pechatnov highlight in their works that in Moscow it was perceived as an attempt to put political pressure on the USSR.<sup>253</sup> The latter Russian historian even cites Molotov’s instructions to trade representatives in New York, which clearly show the Kremlin’s attitude towards this episode: “to stop... begging American authorities for deliveries; if Americans want to end deliveries, so much the worse for them.”<sup>254</sup> Above all, it is essential to highlight that the possibility to get an extensive \$6 billion, or even \$10 billion loan was already lost, as far as on 31 July 1945 the US Congress approved “The Export-Import Bank Act of 1945”. According to this act the Export-Import Bank cannot have an outstanding loan totaling \$3.500 million.<sup>255</sup> However, the Congress had an authority to allocate the agency additional sums.

The United States agreed to “sympathetically” consider the autumn request of the Soviet Union, but only with a smaller sum, that amounted only to \$1 billion. On the 28 August 1945, the Soviet Union demanded a credit totaling \$1.400 million, which included 400 million dollars for the further procurement of the Lend-Lease materials which remained in the United States after the termination of the program, and \$1 billion credit from the Export-Import Bank of Washington to make a purchase of necessary goods.<sup>256</sup> It was stated in the request that the Soviet Union took the obligation to repay the loan in 30 year.<sup>257</sup> On 15 October 1945, the Soviet Union and the United States signed the agreement on disposition of Lend-Lease supplies which were ordered before worth a total of \$200 million under the stated above conditions.<sup>258</sup> However, another credit was still an appending issue. As Novikov notes, no particular decisions were made for the next 7 months, although the Soviet Union reminded the US quite often.<sup>259</sup>

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Department of State / Foreign relations of the United States: diplomatic papers, 1945. Europe (1945), <https://history.state.gov/historicaldocuments/frus1945v05/d757> (assessed: 15.06.2016).

<sup>251</sup> United States Department of State / Foreign relations of the United States: diplomatic papers, 1945. Europe (1945), <https://history.state.gov/historicaldocuments/frus1945v05/d750> (assessed: 15.06.2016)

United States Department of State / Foreign relations of the United States: diplomatic papers, 1945. Europe (1945), <https://history.state.gov/historicaldocuments/frus1945v05/d754> (assessed: 15.06.2016).

<sup>252</sup> Leffler, 96

<sup>253</sup> Zubok, 15; Leffler 95.

<sup>254</sup> Leffler, 95-96.

<sup>255</sup> U. S. Department of State. (2016). *Export - Import Bank Act of 1945*. <http://www.state.gov/t/isn/exportimport/> (assessed: 10.06.2016).

<sup>256</sup> Foreign Relations Of The United States, Diplomatic Papers, 1945, Europe, Volume V – Office Of The Historian. 2016. [https://history.state.gov/historicaldocuments/frus1945v05/pg\\_1034](https://history.state.gov/historicaldocuments/frus1945v05/pg_1034): 1034 (assessed: 11.06.2016).

<sup>257</sup> Ibid, 1035 (assessed: 11.06.2016).

<sup>258</sup> Foreign Relations Of The United States: Diplomatic Papers, 1945. Europe: Union of Soviet Socialist Republics. 2016. <http://digicoll.library.wisc.edu/cgi-bin/FRUS/FRUS-idx?type=turn&entity=FRUS.FRUS1945v05.p1055&id=FRUS.FRUS1945v05&isize=M>

<sup>259</sup> Новиков, Available online at:

[http://www.e-reading.club/bookreader.php/41929/Novikov\\_-\\_Vospominaniya\\_diplomata.html](http://www.e-reading.club/bookreader.php/41929/Novikov_-_Vospominaniya_diplomata.html) (assessed: 11.06.2016).

Although in general the reaction of the United States was quite positive, it seemed that the prospective loan negotiations were seen as a possibility to deal with other controversies and arguments, which concerned the American administration. On 21 February 1946 the United States sent an official request to organize special negotiations, which would encompass not only the loan to the Soviet Union, but also number of other matters concerning international, political and economic issues.<sup>260</sup> These included such issues as (1) the Soviet actions in liberated and occupied territories, (2) elaboration of the European economic policy, (3) the arrangement of free navigation on rivers of international concern, (4) preliminary discussion on the Soviet-American treaty of friendship and commerce, (5) assurance of adequate protection of intellectual rights, (6) the settlements of Lend-Lease agreements, (7) civil aviation issue and (8) other economic matters which either the Soviets or the US would consider important.<sup>261</sup> Following the list, it is notable that the American officials put forward the issues, which do not relate directly to the previously emphasized economic issues of the Soviet Union. Therefore, the United States tended to use the situation and to cover as many issues as possible. As Mikoyan recollects, the United States “realized the Soviets’ necessity in postwar credits and wanted to deal with important for USA issues first”, what was “not profitable for the Soviet Union”.<sup>262</sup> What is more, the note also outlined the US request to send several Soviet observers to the Savannah Conference at the first meeting of the Boards of Governors.<sup>263</sup> Besides, the letter highlighted that the United States would offer other countries, which failed to ratify the documents before the deadline, to enter the institutions on the same conditions as those who ratified the Bretton-Woods outcome on time.<sup>264</sup> Thus, the United States still had the intention to include the Soviet Union in the postwar world order.

However, in the answer which was prepared and sent on the 15 March 1946 the Soviet officials emphasized that the Soviets were ready to discuss only 4, 6 and 8, i.e. the terms and amounts of the long-term credits, the agreement on trade and friendship treaties, and the issues concerning the Lend-Lease program.<sup>265</sup> In such manner, the Soviets tried to limit the range of questions to those which were profitable for the Soviet state. What is also important is that the

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<sup>260</sup> Микоян А.И. *Так было*. (М.: Вагриус, 1999). Available online at:

<http://militera.lib.ru/memo/russian/mikoyan/05.html>, (assessed: 11.06.2016). (Mikoyan A. I. *It was* (Vargius, 1999))

<sup>261</sup> Foreign Relations Of The United States, 1946, Eastern Europe, The Soviet Union, Volume VI – Office Of The Historian, 2016. <https://history.state.gov/historicaldocuments/frus1946v06/d573>, (assessed: 11.06.2016).

<sup>262</sup> Mikoyan, available online at: <http://militera.lib.ru/memo/russian/mikoyan/05.html>

; Foreign Relations Of The United States, 1946, Eastern Europe, The Soviet Union, Volume VI – Office Of The Historian, 2016. <https://history.state.gov/historicaldocuments/frus1946v06/d573>, (assessed: 11.06.2016).

<sup>264</sup> Ibid, <https://history.state.gov/historicaldocuments/frus1946v06/d573>, (assessed: 11.06.2016).

<sup>265</sup> Mikoyan, available online at: <http://militera.lib.ru/memo/russian/mikoyan/05.html>, (assessed: 11.06.2016); Foreign Relations Of The United States, 1946, Eastern Europe, The Soviet Union, Volume VI – Office Of The Historian, 2016. <https://history.state.gov/historicaldocuments/frus1946v06/d573>, (assessed: 11.06.2016).

Soviets did not mention in their answer anything about the Savannah Conference or the possibility of joining the institutions as soon as possible.<sup>266</sup>

Moreover, on 18 March 1946, the Secretary of State sent to Novikov a letter concerning 39 military vessels of various types, which were transferred to the Soviet Union for the effective prosecution of war. The letter stated that if the Soviet Union was not interested in purchasing the vessels, then it was asked to organize its return to the United States within 60 days.<sup>267</sup> But Moscow not only refused to discuss some additional matters outlined by the US, but also to fulfill the obligation to return the vessels. This behavior influenced the relations between the two countries negatively.

Nevertheless, the United States in the following answer from 18 April 1946, still insisted that the other matters, outlined in a letter from 21 February 1946, would also be added to the agenda.<sup>268</sup> In addition to it, Byrnes, Secretary of State, again mentioned in the letter the Savannah Conference and expressed “the hope that the Government of the Union of Soviet Socialist Republics will shortly (...) accept membership in and participate in the Bretton-Woods institutions”.<sup>269</sup> The USSR was given again the possibility to enter the financial institutions with the initial quota, which was assigned to it during the Bretton-Woods conference, till the 31 December 1946.<sup>270</sup> Thus, the United States still expected the Soviet Union to be a part of new financial order and would not to isolate itself.

Finally, Novikov describes his visit to the Secretary of State Byrnes on 31 May 1946, when the credit issue was mentioned again. It was a formal scheduled meeting during which both the Secretary of State and Novikov were supposed to exchange their addresses for the official ceremonial meeting during which officials could not talk about any state matters. However, as Novikov notes, the text which was handed to him by Byrnes gave an excuse to the Soviet Ambassador to allude to the credit matter, which was pretty complicated and important for the Soviet Union. Byrnes said that he still would not be able to give any definite answer on this matter.<sup>271</sup> Novikov concluded that the Byrnes’ evasive reply showed better than the generous statements of the President and American officials what was behind the postponing of the credit issue: “the main intention was to put economic pressure on the Soviet Union”.<sup>272</sup>

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<sup>266</sup> Ibid, <https://history.state.gov/historicaldocuments/frus1946v06/d574>, (assessed: 11.06.2016).

<sup>267</sup> Foreign Relations Of The United States, 1946, Eastern Europe, The Soviet Union, Volume VI – Office Of The Historian, 2016. <https://history.state.gov/historicaldocuments/frus1946v06/d575>, (assessed: 11.06.2016).

<sup>268</sup> Ibid, <https://history.state.gov/historicaldocuments/frus1946v06/d579>, (assessed: 11.06.2016).

<sup>269</sup> Ibid, <https://history.state.gov/historicaldocuments/frus1946v06/d579> (assessed: 11.06.2016).

<sup>270</sup> Ibid, <https://history.state.gov/historicaldocuments/frus1946v06/d579> (assessed: 11.06.2016).

<sup>271</sup> Novikov, available online at:

[http://www.e-reading.club/bookreader.php/41929/Novikov\\_-\\_Vospominaniya\\_diplomata.html](http://www.e-reading.club/bookreader.php/41929/Novikov_-_Vospominaniya_diplomata.html) (assessed: 11.06.2016).

<sup>272</sup> Ibid, available online at:

Above all, during the conversation on 14 May 1946, between Novikov and Byrnes, the Soviet official mentioned the new American reports according to which the Soviet Union would not get a loan, because the capital of the Export-Import Bank was depleted.<sup>273</sup> Therefore, at that time, the United States were unable to provide the loan, due to other completed loan negotiations. The Secretary of State added that the President might demand the Congress, before its adjournment, to grant an additional sum of 1,250,000,000 dollars, for the Bank capital, so that the Soviet Union, in the light of planned negotiations, would receive a \$1 billion loan. However, according to the US Foreign Relations papers, throughout the 1946 no real progress was made.<sup>274</sup> Firstly, on 1 March 1946, in an address to the Congress, which included the extension of the Export-Import Bank capital, President Truman announced that he would discuss the need of adopting the necessary legislation at a later date.<sup>275</sup> Secondly, during the new conference on 14 June 1946, he was reminded about whether he planned to recommend the increase of the Bank capital. Again, the President stated: “I have not yet got to the point where I can consider that”.<sup>276</sup> Thirdly, President Truman was asked this question again, but in a more detailed manner, almost a month later, during another conference which was conducted on 18 July 1946. The President declared that he had “no intentions” to give any recommendations to the Congress.<sup>277</sup> It seemed, that such answer did not satisfy the journalists, because after this statement Truman was asked whether it meant that there had been no plan at all to request Congress for a loan for the Soviet Union.<sup>278</sup> He said: “Not that I know of. I haven't heard about it.”<sup>279</sup> Lastly, this issue was raised at the conference concerning the 1947 budget on 2 August 1946, during which the President would ask the Congress for the postponed multiple times for later capital extension, totaling one billion and a quarter, to the Import-Export Bank. Truman responded that it all

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[http://www.e-reading.club/bookreader.php/41929/Novikov - Vospominaniya diplomata.html](http://www.e-reading.club/bookreader.php/41929/Novikov_-_Vospominaniya_diplomata.html) (assessed: 11.06.2016).

<sup>273</sup> Foreign Relations Of The United States, 1946, Eastern Europe, The Soviet Union, Volume VI – Office Of The Historian, 2016. <https://history.state.gov/historicaldocuments/frus1946v06/d581#fnref:1.3.2.16.6.23.12.1.2>, (assessed: 11.06.2016)

<sup>274</sup> Foreign Relations Of The United States, 1946, Eastern Europe, The Soviet Union, Volume VI – Office Of The Historian, 2016. <https://history.state.gov/historicaldocuments/frus1946v06/d581#fnref:1.3.2.16.6.23.12.1.2>, (assessed: 11.06.2016)

<sup>275</sup> *Public Papers of the Presidents: Harry S. Truman, 1946* (Washington, Government Printing Office, 1962), p. 138

<sup>276</sup> *Public Papers of the Presidents: Harry S. Truman, 1946* (Washington, Government Printing Office, 1962), p. 301 – available at <http://www.trumanlibrary.org/publicpapers/index.php?pid=1578&st=&st1=>, (assessed: 11.06.2016).

<sup>277</sup> *Public Papers of the Presidents: Harry S. Truman, 1946* (Washington, Government Printing Office, 1962), p. 351 – available at <http://www.trumanlibrary.org/publicpapers/index.php?pid=1669&st=&st1=>, (assessed: 11.06.2016).

<sup>278</sup> *Public Papers of the Presidents: Harry S. Truman, 1946* (Washington, Government Printing Office, 1962), p. 351 – available at <http://www.trumanlibrary.org/publicpapers/index.php?pid=1669&st=&st1=>, (assessed: 11.06.2016).

<sup>279</sup> *Public Papers of the Presidents: Harry S. Truman, 1946* (Washington, Government Printing Office, 1962), p. 351 – available at <http://www.presidency.ucsb.edu/ws/index.php?pid=12460&st=&st1=>, (assessed: 11.06.2016)



depended on the situation and its development: “If it is necessary, I will ask for it, and if it is not, I will not”.<sup>280</sup>

The described sequence of various events prove that the tensions between the two countries were developing during a certain period of time and culminated in a stumbling block. The Soviet Union wanted to get the loan for the postwar reconstruction. However, when the contradictions emerged between the countries, it prevented the United States from granting the postwar credit to the Soviet Union, therefore the question was postponed multiple times. As some Soviet officials stated, the United States, through economic pressure, wanted to decide the issues of other spheres, while the Soviet Union wanted to concentrate all efforts only on the economic aspects. As Mikoyan highlights in his memoirs, as far as he knew the internal demands of the USSR, he realized that due to devastated postwar Soviet economy it would be impossible to recover the external trade without foreign loans. The author notes that the United States knew it, hence, they wanted to use this situation to solve all other issues the country was interested in, and to perform it under the American terms.<sup>281</sup> Indeed, according to the Venona documents already in June 1945 the American President was not content with the installed in Romania government. The proposed pressure tools were the Lend-Lease program, public opinion and the postwar loan, and the latter one was believed to be the most effective.<sup>282</sup> Moreover, White himself cabled to the Soviet Union in August 1945 that the American government was dominated by Harriman’s belief that loans should be used as “means to put pressure on the Soviet Union in order to get the political concessions”.<sup>283</sup> Mikoyan concludes, on the one hand, it was important “to give a hope” to the American counterparts to discuss some issues which were outlined by the US government in their first official note from 21 February, 1946. On the other hand, the Soviets needed to emphasize that the loan issue would be settled first, so that the US would not get any reasons to stall the loan negotiations.<sup>284</sup> Both countries wanted to benefit from each other, however, neither of them wanted to make a concession first.

Moreover, if we take into account the conditions under which Great Britain ratified the Bretton-Woods agreements, it is possible that the loan problem might have had a certain influence on the decision of the Soviet Union. Some authors, who devoted their work to the

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<sup>280</sup> *Public Papers of the Presidents: Harry S. Truman, 1946* (Washington, Government Printing Office, 1962), p. 381-383 – available at <http://www.trumanlibrary.org/publicpapers/index.php?pid=1728&st=&st1=>, (assessed: 11.06.2016).

<sup>281</sup> Mikoyan, available online at: <http://militera.lib.ru/memo/russian/mikoyan/05.html>, (assessed: 11.06.2016); Pechatnov, V. O., A. S. Manykin, and N. N. Bolkhovitinov. *The History of U.S. Foreign Policy*. (Moskva: Mezhdunarodnii Otnosheniya, 2012): 38

<sup>282</sup> “Vassiliev Yellow Notebook #4,” 2009, History and Public Policy Program Digital Archive, Alexander Vassiliev Papers, Manuscript Division, Library of Congress. <http://digitalarchive.wilsoncenter.org/document/112859:122>. (assessed: 20.06.2016): 122

<sup>283</sup> *Ibid*, 128 (assessed: 20.06.2016).

<sup>284</sup> Mikoyan, available online at: <http://militera.lib.ru/memo/russian/mikoyan/05.html> (assessed: 11.06.2016).

Bretton-Woods conference, mention the difficulties which appeared during the ratification discussions in the American and the British governments.<sup>285</sup> Although the opposition within both governments was pretty strong and claimed that the Bretton-Woods agencies would harm the national interests, the process of ratification was still different.

It is quite complicated to follow and describe accurately the whole debate in the American government during the summer 1945. In addition, the purpose of the current work is not to describe this struggle, but to highlight the fact that both countries, the US and Great Britain, which initiated the establishment of the new postwar economic order, encountered quite strong opposition in their home countries. The discussion lasted for quite a long time and ended with the ratification approval on 19 July 1945. Some authors also highlight the tremendous work of the Treasury Department, administration officials who not only were fighting for the adoption, but also mobilized the public.<sup>286</sup>

In the case of Great Britain it was no less complicated. However, it is necessary to highlight one important aspect. The United States granted a quite extensive loan to the United Kingdom after the US and Britain signed the Anglo-American Financial and Commercial Agreements in December 1945, few weeks prior to the ratification of the Bretton-Woods agreements.<sup>287</sup> The amount of credit was established at \$3.75 billion and, as Van Dormael states, “one of the conditions was the ratification of the Bretton-Woods”.<sup>288</sup> As far as the lack of time was a pressing factor, the discussions were taking place in a hurry, and the opposition had not enough time to present their arguments. Nevertheless, the ratification was approved by the majority, and in less than two weeks Great Britain agreed to enter the Bretton-Woods institutions.<sup>289</sup>

## The Soviet Debates on the Bretton-Woods Ratification and Loan

Not all American and British officials were supporting the Bretton-Woods, however, and did not want ratify the outcome as soon as the conference had finished. The debate on the necessity of the ratification, as well as joining the newly founded institutions, was not only going on within the UK and the US governments, but also among the Soviet officials. According to Zubok, there were two opposing groups in the Soviet government.<sup>290</sup> First, the officials who were responsible

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<sup>285</sup> Mikesell, 42-44; Horsefield, 113- 121; Van Dormael, 240-286.

<sup>286</sup> Van Dormael, 251–265.

<sup>287</sup> “Anglo-American Trade and Financial Negotiations”, 1945. [https://fraser.stlouisfed.org/scribd/?item\\_id=464381&filepath=/docs/historical/eccles/036\\_10\\_0007.pdf#scribd-open](https://fraser.stlouisfed.org/scribd/?item_id=464381&filepath=/docs/historical/eccles/036_10_0007.pdf#scribd-open) (assessed: 09.06.16).

<sup>288</sup> Van Dormael, 275.

<sup>289</sup> Ibid, 285.

<sup>290</sup> Zubok, 51.

for financial and budget issues highlighted the economic profit of participating in the Bretton-Woods institutions, because it became a solid basis for future loan negotiations. The group included such officials as Arseny Zverev, Anastas Mikoyan and Solomon Lozovsky. The expressed points of view were in favor of the need of getting the loan from the United States for the economic postwar recovery. However, in Zverev's memoirs, which were published in 1973, he did not mention these facts. Instead, he recollects the meeting with the financial representatives of "the bourgeois world" in 1945. During that meeting, which was taking place in a quite informal atmosphere, the discussion concerned the recent war events. He describes that due to the atmosphere of the talks, the Western officials were pretty honest and explicit, stating that "everybody knows about the victims and efforts of the Soviet Union; however, from the business point of view, it would be right to use this situation to assure the Western economic dominance, because business is business after all".<sup>291</sup> Moreover, Zverev states in his memoirs that the postwar recovery started in autumn of 1945 and again, "remembering the post-civil war years, the Soviet people could only count only on themselves".<sup>292</sup>

Finally, it is necessary to mention one of the most serious and crucial projects, which was conducted secretly by Zverev. It was the postwar monetary reform of 1947, which was mentioned for the first time by Stalin in 1943.<sup>293</sup> Zverev recollects that they had very long and productive conversations, and Stalin demanded to maintain the absolute secrecy and to work on the details of this project.<sup>294</sup> The main intentions were to curb the postwar inflation and to liquidate the war food rationing system.<sup>295</sup> Therefore, it is possible to assume that in 1943 Stalin had certain plans for reforming the monetary sphere of the Soviet Union. Moreover, Harold and Marzenna James also mention in their article the planned monetary reform. They claim that, as far as Stalin was preparing to conduct the reform, the participation in the IMF would interfere the ruble value.<sup>296</sup>

Alternatively, the memoirs of Mikoyan, which were published in 1999 and prepared with the help of various notes and archival documents, prove Zubok's statement that Mikoyan favored getting the American loans. One of the chapters of this quite an extensive memoirs is devoted to the economic negotiations between the Soviet Union and Allies from 1945 till 1947.<sup>297</sup> Mikoyan claims, that already during the preparations of the Yalta Conference, which took place from 4–11

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<sup>291</sup> Зверев А.Г. Записки министра. (Москва: Политиздат, 1973). Available online at: [http://royallib.com/read/zverev\\_arseniy/zapiski\\_ministra.html#898591](http://royallib.com/read/zverev_arseniy/zapiski_ministra.html#898591) (assessed: 11.06.2016). (Zverev A. G. *The notes of Minister* (Politizdat, 1973)).

<sup>292</sup> Ibid.

<sup>293</sup> Ibid.

<sup>294</sup> Ibid.

<sup>295</sup> Ibid.

<sup>296</sup> Harold James, Marzenna James, 615, 617.

<sup>297</sup> Mikoyan, available online at: <http://militera.lib.ru/memo/russian/mikoyan/05.html> (assessed: 15.06.2016).

February 1945, he was quite “insistently” offering and explaining to Stalin the necessity of getting the loan for the postwar recovery from the American government.<sup>298</sup> Moreover, Mikoyan recalls that prior to it, the American Ambassador Harriman brought up the subject of possible assistance that the US could provide to the Soviet Union at the end of the war.<sup>299</sup> Stalin doubted at first this idea, but later asked Mikoyan to study thoroughly all the aspects of the proposed loan, such as the percentage, the period of the credit etc. As Mikoyan states, he tried to prove that the American loan would be the best option for the Soviet Union. However, one official, in particular, Nikolay Voznessensky, who was quite influential at that period, opposed to such help. Voznessensky claimed that even if the Soviet Union managed to get the \$2 billion loan at 3 percent interest at annum from the United States, the Soviets would be obliged to repay the loan and additional 90 percent of the sum. Therefore, it was completely not profitable for the USSR. Mikoyan recollects that he was very surprised by such reaction because “a well-educated economist as Voznessensky would know that it would be quickly paid off”.<sup>300</sup> Surprisingly, Stalin, after such opposition, proposed to demand not \$2 billion, what already seemed impossible to the Soviet economists, but \$6 billion. As a result, it was decided that Stalin would raise loans and reparation issues in his personal conversation with Roosevelt, because the relationship between the two countries were propitious. Mikoyan states in his memoirs that both questions were not raised during the conference.<sup>301</sup> However, according to the Russian and the American transcripts, the reparations were discussed and sparked some disagreements between the leaders. For instance, transcripts from 5<sup>th</sup> February state that Stalin asked Maisky to take the floor and to present the Soviet reparation plan, as far as Stalin appointed Maisky as the head of the Soviet reparation commission.<sup>302</sup> One of the main points was the Soviet Union’s demand to receive reparations in the form of various commodities, which were valued at \$20 billion.<sup>303</sup> The British delegation, to be more precise, Winston Churchill, was against stating any definite figure in the final document, because the experience of the last war reparations was “still fresh and

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<sup>298</sup> Ibid.

<sup>299</sup> Ibid.

<sup>300</sup> Mikoyan, available online at: <http://militera.lib.ru/memo/russian/mikoyan/05.html> (assessed: 15.06.2016).

<sup>301</sup> Ibid.

<sup>302</sup> Foreign Relations Of The United States. *Conferences At Malta And Yalta, 1945: III*. The Yalta Conference. 2016. <http://digicoll.library.wisc.edu/cgi-bin/FRUS/FRUS-idx?type=turn&entity=FRUS.FRUS1945.p0716&id=FRUS.FRUS1945&isize=M>: 620, (assessed: 15.06.2016); *Советский Союз на международных конференциях периода Великой Отечественной войны 1941-1945 гг.* Том 4. Крымская конференция руководителей трех союзных держав - СССР США и Великобритании (4-11 февраля 1945 г.) (Москва: Политиздат, 1978): 59, 70-72; (The Soviet Union at the International Conferences during the Great Patriotic War 1941-1945. Volume 4. The Yalta Conference); Roberts, Geoffrey. 2007. "Stalin at the Tehran, Yalta, and Potsdam Conferences." *Journal of Cold War Studies* 9 (4): 23

<sup>303</sup> The Soviet Union at the International Conferences during the Great Patriotic War 1941-1945. Volume 4. The Yalta Conference): 70-72.

disappointing”.<sup>304</sup> Therefore, Churchill requested not to include certain figures until the Allied Reparation Commission would study this issue. However, despite the British disagreement over that aspect, the Final Protocol of Proceedings included the Soviet request to take \$20 billion sum as the basis for further discussion and 50 % of the reparations would be given to the USSR.<sup>305</sup>

Furthermore, on 5<sup>th</sup> of February during the meeting of the Foreign ministers, Molotov mentions the Soviets expectations about receiving not only reparations, but also the long-term credit from the United States. Edward Stettinius, who served as Secretary of State and was present at that meeting, announced that the American government had studied this issue, and Stettinius was ready to discuss it personally with Molotov.<sup>306</sup> Unfortunately, no other documents provide the more detailed discussion on this matter.

The second group of the Soviet officials, who were opposed the maintaining of the cooperation between the East and the West and joining the Bretton-Woods, included Nikolay Voznesenskii.<sup>307</sup> He was the head of the State Planning Committee, also known as Gosplan, and as it has already been stated, was against getting the loan from the United States. He claimed that foreign debts would damage the international prestige of the Soviet Union and undermine its independence at least in the economic sphere.<sup>308</sup> Moreover, Batuk also provides the interview of the Soviet official who claimed that Voznesensky was not content with two particular aspects. Firstly, the gold par of the ruble and its currency rate fixation against the currencies of the Western countries might harm the Soviet non-trade operations. Secondly, Voznesensky doubted the sincerity of the American intentions to grant long-term loans for the postwar recovery.<sup>309</sup> These assumptions and statements about his attitude towards the East-West cooperation could be proved by the work of Voznesensky “Military Economy of the USSR during the Great Patriotic War”. He highlights, that one of the main features of the Soviet Union were its technical and economic independence of the socialistic economy from the “capitalistic economies”.<sup>310</sup> Moreover, he adds that the Soviet state did not refuse to take part in the international labor

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<sup>304</sup> Ibid, 59, 70-72; *Майский И. М. Воспоминания советского дипломата, 1925-1945 гг.* — Т.: Узбекистан, 1980: 654- 658 (Maisy I. M. *The Memoirs of the Soviet Diplomat, 1925-1945.*(Uzbekistan, 1980)); Foreign Relations Of The United States. *Conferences At Malta And Yalta, 1945: III.* The Yalta Conference. 2016. <http://digicoll.library.wisc.edu/cgi-bin/FRUS/FRUS-idx?type=turn&entity=FRUS.FRUS1945.p0717&id=FRUS.FRUS1945&isize=M>: 621, (assessed: 16.06.2016).

<sup>305</sup> “Protocol of Proceedings and Communiqué of the Yalta Conference” <http://images.library.wisc.edu/FRUS/EFacs/1945Berlinv02/reference/frus.frus1945berlinv02.i0040.pdf> p. 1570-1571, (assessed: 16.06.2016).

<sup>306</sup> Foreign Relations Of The United States. *Conferences At Malta And Yalta, 1945: III.* The Yalta Conference. 2016. <http://digicoll.library.wisc.edu/cgi-bin/FRUS/FRUS-idx?type=turn&entity=FRUS.FRUS1945.p0704&id=FRUS.FRUS1945&isize=M>: 610, (assessed: 16.06.2016).

<sup>307</sup> Zubok, 51.

<sup>308</sup> Ibid.

<sup>309</sup> Batuk, 18.

<sup>310</sup> Вознесенский Н. *Военная экономика СССР в период Отечественной войны.* (М.: Госполитиздат, 1948) 170 (Voznesensky N. *Military Economy of the Soviet Union during the Great Patriotic War.* (Gospolitizdat, 1948)).

division or international trade.<sup>311</sup> However, as he continues, the basis of the Soviet economic stability consisted in its autonomy and ability to mobilize all the Soviet resources in critical moments for meeting domestic demands.<sup>312</sup> In addition, he states that the Soviet Union was free from the developments of the capitalistic countries, crises and poverty.<sup>313</sup> Finally, according to the argumentation of Voznesensky, the capitalistic economy of the foreign countries contributed to the emergence of wars and aggressors, and “the imperialistic aggression against the Soviet Union is no more than the class struggle on the international level”.<sup>314</sup>

Furthermore, Batuk highlights that Voznesensky was a part of the inner circle of Stalin; therefore, he used “well” this possibility to influence the decision of the Soviet leader, and not facilitate the cooperation. Despite that, it was also essential for Stalin to maintain the economic independence of the Soviet Union from the foreign countries, and it would be impossible if the USSR actively engaged in the international economic organizations.<sup>315</sup>

The Soviet officials of the People’s Commissariat for External Trade and People’s Commissariat for External Affairs prepared various reports highlighting that the IMF and IBRD articles did not contradict the Soviet laws and Constitution. Moreover, the Soviet Union was aware of the generous loan from the United States to the United Kingdom and expected to receive a promised credit. Not only Roosevelt promised an extensive loan, but also Morgenthau himself prepared a Memorandum in 1945, where he offered to President Roosevelt to secure a \$10 billion loan for the Soviet Union, which would be a major step for creating millions of job places.<sup>316</sup>

Finally, Harold and Marzenna James provide in their work the evidence which might explain the Soviet actions in the post-conference period. For instance, the authors claim that, according to declassified documents, the Soviet Union was indeed quite positive about participating in the Bretton-Woods institutions and was looking forward to gaining various advantages from it. In such manner, the scholars presented the reports on the advantages and disadvantages of the Soviet participation, which were prepared few days before the ratification deadline.<sup>317</sup> The beneficial points included a good possibility for the USSR to have certain influence and to follow the decisions and actions of the Allies; to receive a credit when it would be necessary; to get an access to global market and to sell the Soviet gold and receive the

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<sup>311</sup> Ibid.

<sup>312</sup> Ibid.

<sup>313</sup> Ibid.

<sup>314</sup> Ibid, 175.

<sup>315</sup> Batuk, 18.

<sup>316</sup> Foreign Relations Of The United States: Diplomatic Papers, 1945. Europe: Union of Soviet Socialist Republics. 2016. <http://digicoll.library.wisc.edu/cgi-bin/FRUS/FRUS-idx?type=goto&id=FRUS.FRUS1945v05&isize=M&submit=Go+to+page&page=948>. (assessed: 17.06.2016).

<sup>317</sup> Harold James, Marzenna James, 617-618.

American credit. Importantly, the report stresses that Great Britain got the loan from the United States under the condition of the ratification.<sup>318</sup> However, there were also negative aspects. For instance, if the Soviet Union entered the institutions, it could be regarded as a weakness, because the United States did not offer the Soviet Union a credit, which was crucial for the latter one. Moreover, the document states that the gold, necessary for the subscription, might be taken from the Soviet Union for some technical operations of the Fund or Bank. Finally, the report offers not to enter the agencies, but to observe how they actually work. Then, if the Allies were still interested in the participation of the Soviets, then the USSR could expect an additional invitation.<sup>319</sup>

In addition, the authors of the “revealing” article furnish a quite extensive document which was prepared for Molotov on 26 December, 1945. It summarizes the main purposes of the IMF and IBRD and includes the information stated above, but in a broader manner. It highlights quite an active and decisive involvement of the United States, the size of the American quota, and the US ability to have a great influence in this organization. Various capitalistic countries supported the project, due to their interest in getting the loan from the United States, therefore, the Soviet Union had no possibility to prevent the creation of the IMF. However, the report elaborates on negative aspects of the refusal. For instance, if the Soviet Union decided to refuse, it might lead to the isolation of the Soviet Union from the international system markets, to the emergence of the tension with the United States. Moreover, the Soviets would not be able to receive credits from the financial institutions, if the state did not provide the minimum requested by the Fund information, such as reserves of gold and foreign currency, national income, balance of payments etc. Nevertheless, the report does mention the essential detail: the IMF would take into account various capacities of countries to submit the information. Finally, this document had the special additional draft for the case if the Soviet decision on entering the Bretton-Woods structures was positive. The draft consists of all Soviet proposals, which were already outlined previously in the research. For instance, the Soviet Union would submit necessary information concerning gold, what would assign to Gosbank to deal with all operations connected with the IMF and IBRD, organize special courses to prepare Soviet officials for the work in the institutions etc.<sup>320</sup>

Nevertheless, the authors of the article emphasize that despite the positive rhetoric, Stalin’s attitude changed radically. They claim that “almost certainly” Molotov talked with the Soviet leader and this is when Stalin’s mind got heavily influenced, although there are no evidence or documents proving such statement. The institutions in Stalin’s eyes became useless and an

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<sup>318</sup> Ibid, 618.

<sup>319</sup> Ibid, 617-619.

<sup>320</sup> Harold James, Marzenna James, 622.

instrument for conducting specific national politics.<sup>321</sup> Moreover, this new position of not refusing, but postponing the decision, seemed to help the Soviet Union to bargain considerable financial assistance.<sup>322</sup> Finally, authors highlight that Stalin was “obsessed” with classifying economic information, the possibility of his people betraying or being disloyal to the principles of communism.<sup>323</sup>

## The Early Cold War

The postwar interests of the Soviet Union and the United States in most aspects were similar. Both countries wanted to preserve the peace, which was achieved by million deaths and widespread devastation, through creating reliable and effective international security system, which would guarantee the postwar cooperation and eliminate the emergence of the new aggressor. The “natural” spheres of influences of major powers did not overlap. The United States acknowledged with the understanding the Soviet willingness to establish special relations with the neighboring countries. Moreover, the US did numerous attempts to get the USSR involved in the international affairs. The Soviet Union did not object to the post-war rising influence of the United States and planned to derive certain profit from this cooperation. In addition, the war period demonstrated that such different countries could work together and be partners. The revised image of the Western countries showed that these countries respect the interests and status of the Soviet Union.<sup>324</sup> Furthermore, the United States seemed to be a distant power which did not impose any direct threat to the Soviet Union.<sup>325</sup> Finally, Stalin wanted to preserve cooperation with Western countries for preventing, if it is necessary, the possible rise of another aggressive power, legitimizing the postwar borders and influence in the Eastern Europe.<sup>326</sup>

However, the Cold War was slowly emerging and becoming more and more obvious. The gap between the two former Allies was only enlarging. Most scholars highlight that Roosevelt’s death played a significant role in the relationship development of both countries.<sup>327</sup> When Truman took office, the former alliance turned from cooperation into confrontation. For instance, Ambassador Novikov recollects how quickly the attitude of the American government towards the Soviet Union changed. Novikov states that in his inaugural speech Truman promised to follow Roosevelt’s policy. However, he used some statements which showed the claims of the

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<sup>321</sup> Ibid, 617-622

<sup>322</sup> Ibid, 617.

<sup>323</sup> Ibid, 617.

<sup>324</sup> Leffler, 92.

<sup>325</sup> Ibid, 93.

<sup>326</sup> Ibid, 94.

<sup>327</sup> Katasonov, 431.



US to the world domination.<sup>328</sup> Moreover, in June 1945 Truman started to reorganize the personnel. Those who were the supporters of the “New Deal”, such as Edward Stettinius, Harry Hopkins, Henry Morgenthau, were either suspended from work or resigned.<sup>329</sup> As the Soviet Ambassador describes it, it was obvious that Truman changed the course and returned to the politics of the pre-Roosevelt presidency. Finally, Novikov recalls, that when he returned back to Washington from the working trip to Moscow, he instantly noticed the changes in the atmosphere of the American government. As he states, the American officials were influenced by the wave of “anti-Soviet hysteria”.<sup>330</sup> Furthermore, Gaddis mentions in his monograph Molotov’s statement that “Roosevelt could conceal his attitude towards the Soviets, whereas Truman didn’t know how to do that”.<sup>331</sup> In addition, Gaddis also states that inexperienced and ill-informed president Truman had to rely on his hard-line advisors.<sup>332</sup> Pechatnov also highlights that instead of experienced president as Roosevelt to power came Harry Truman, who had little experience and was too straightforward. Pechatnov provides the description of American historian Arnold Offner, who called him “provincial nationalist, who saw the world only on black and white and was distant from Roosevelt’s diplomacy”.<sup>333</sup> Right after he took the office, Truman announced that he was not afraid of Russians and was ready to be tough, but fair with them.<sup>334</sup> Moreover, as Pechatnov highlights, he relied more on military and Department of State officials who were advising him on the further policy regarding the Soviet Union. Finally, on 23 April 1945 Truman had a meeting with Molotov. Truman very categorically demanded the Soviet Union to adhere to the Yalta agreements concerning the Polish governments and showed that the relations would not be the same as during Roosevelt’s presidency.<sup>335</sup> Finally, the termination of the Lend-lease in May was another demonstration of Truman’s decisiveness to conduct the dialogue with the Soviet Union from the position of force. Therefore, it is evident that after the new president took office, the rhetoric was radically different from what was during the presidency of Franklin Roosevelt.

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<sup>328</sup> Novikov, available online at: [http://www.e-reading.club/bookreader.php/41929/Novikov -  
\\_Vospominaniya\\_diplomata.html](http://www.e-reading.club/bookreader.php/41929/Novikov_-_Vospominaniya_diplomata.html) (assessed: 11.06.2016).

<sup>329</sup> Ibid; Pechatnov, 283.

<sup>330</sup> Novikov, available online at: [http://www.e-reading.club/bookreader.php/41929/Novikov - Vospominaniya\\_diplomata.html](http://www.e-reading.club/bookreader.php/41929/Novikov_-_Vospominaniya_diplomata.html) (assessed: 11.06.2016).

<sup>331</sup> John Lewis Gaddis, *We Now Know: Rethinking Cold War History* (Oxford : New York: Clarendon Press ; Oxford University Press, 1997): 22; Чув Ф., *140 Бесед с Молотовым* (Терра, 1991): 40 (F. Chuev, *140 conversations with Molotov*).

<sup>332</sup> John Lewis Gaddis, *We Now Know: Rethinking Cold War History* (Oxford : New York: Clarendon Press ; Oxford University Press, 1997): 22; John Lewis Gaddis, *The Cold War: A New History* (New York: Penguin Press, 2005): 10.

<sup>333</sup> Pechatnov, 281.

<sup>334</sup> Ibid, 281-282.

<sup>335</sup> Ibid 22; Chuev, 42.

However, it is also necessary to mention the changes in the Soviet foreign policy. In the interviews from 1946 to foreign newspapers and magazines Stalin highlighted that the cooperation of the Soviet Union and Western partners was possible and preferable.<sup>336</sup> He expressed that there were several ways to establish stable cooperation, through agreeing with the United States on granting to the Soviet Union loans, strengthening of the political, economic and cultural ties between the states, and holding meetings of the main powers where various issues could be discussed. Nevertheless, already by February 1946, the rhetoric of the Soviet Union changed. Zubok provides the opinion of Pechatnov, who states that Stalin showed quite strong reluctance to open the Soviet economy and to partly hand over the Soviet gold to the Bretton-Woods institutions.<sup>337</sup> Moreover, the internal correspondence between Soviet officials was emphasizing that if the Soviet Union entered the financial organizations, it would be regarded as a weakness. Molotov recollected that period and said that the US tried to draw the Soviets into an affair and to give the USSR a subordinate role, what would not give any profit or advantage.<sup>338</sup>

Also, as Pechatnov notes in another work, it is impossible not to emphasize the importance of an atomic bomb drop on Japan. It not only brought tremendous devastation to that country, but also changed Stalin's assumptions about the balance of power in the world.<sup>339</sup> From that particular moment the United States were not a distant power anymore and challenged the Soviet Union on its eastern borders.<sup>340</sup> Moreover, at the same time the Western countries refused to recognize the governments of Bulgaria and Romania and demanded to include the candidates from the opposition. It created another challenge on the Western borders of the Soviet Union.<sup>341</sup> Consequently, both events were seen as an "American offensive", what led Stalin to his spring mobilization speech.<sup>342</sup> In the spring of 1946 Stalin presented his mobilization plan where he stated that Soviet people should be prepared for another great effort, as far as capitalism remained a main source of wars. The speech was targeted at the population of the Soviet Union while in the West it was interpreted as the new wave of the ideological struggle. For many people it seemed to be the final break within the Grand Alliance.<sup>343</sup> The hardened Western policies and the Fulton speech sent a signal to the Kremlin conveying the impression that former participants allies were plotting a new Anti-Soviet ideological strategy. In addition, in the Soviet internal assessments and analytical reports, the essence could be reduced to the statements that

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<sup>336</sup> Vert A., *Interview with Stalin*, 17 September 1946. <http://petroleks.ru/stalin/16-40.php> (assessed: 16.06.2016).

<sup>337</sup> Zubok, 51.

<sup>338</sup> Chuev, 46.

<sup>339</sup> Leffler, 96.

<sup>340</sup> *Ibid*, 96.

<sup>341</sup> *Ibid*, 97.

<sup>342</sup> *Ibid*, 97.

<sup>343</sup> Zubok, 52.

the US was pursuing “world supremacy”.<sup>344</sup> Stalin’s speech was urging people to mobilize all forces and to surpass the prewar levels, because only this could ensure the security of the Soviet Union.<sup>345</sup> After the Fulton speech, by summer 1946, the Soviet leader with his deputies elaborated on the new aspects of the foreign policy. The postwar reconstruction, rearmament, the accelerated atomic bomb project and development of air defense – all of them were considered to be of the highest priority.<sup>346</sup> Moreover, the possibility to get the loan was irreversibly lost and even irrelevant under such political conditions. The USSR completely refused to enter the Bretton-Woods institutions for fear of “opening up the Soviet economy”, therefore, the chance to facilitate economic cooperation was also minimized.<sup>347</sup>

Additionally, it seemed that in the postwar period Moscow tried to negotiate with the Western countries from a position of strength. Consequently, the US took a strong line, what was fair enough in the economic dialogue with the Soviets. The USSR was not ready to such reaction and perceived it as an attempt to put economic pressure on the Soviet state. Although, the USSR was demanding considerable concession from the United States, the Soviets, however, did not plan to do the same. Hence, the large-scale cooperation was impossible.<sup>348</sup>

Besides, some scholars claim that considerable dissimilarities between two systems also played quite an important role. First of all, Moscow and Washington made different conclusions from the events of 1930s. In the Soviet Union, it was believed that the future was in the administrative-command methods of regulation economy at the local as well as at the international level. Whereas in the United States there was no other alternative to international development of free trade which would be beneficial for creating stable economic basis for international cooperation. According to Batuk, this key difference on the principles of the postwar system played a major role in the emergence of this rift between two powers.<sup>349</sup>

Finally, Gaddis in his monograph from 2005 revises his previous works. He highlights that the controversies between war allies were much sharper and almost insoluble. The Cold War was not only about geopolitical rivalry; it was a competition to answer the question “how best to organize human society?” Both countries wanted to prove that their way of organization and development was better and more advanced than the other. Finally, Gaddis claims that the war had been won by a coalition of countries which were already at war, ideologically and geopolitically, with each other. Gaddis states that despite their success, it always depended on the pursuit of common objectives by incompatible state systems; hence, that victory would

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<sup>344</sup> Leffler, 100, 102.

<sup>345</sup> Zubok, 52.

<sup>346</sup> Leffler, 101.

<sup>347</sup> Ibid, 101.

<sup>348</sup> Batuk, 21.

<sup>349</sup> Ibid, 13.

require them either to stop being who they were or to give up much of what they hoped to get.

## Conclusion

So what were the reasons which made Stalin doubt the effectiveness of the Bretton-Woods institutions? What was the influence of the emergence of the Cold War that split the Allies and transformed their cooperation into the confrontation, on the Soviet Union's refusal to ratify the Bretton-Woods agreements? What was a major stumbling block to an agreement and further cooperation between the USSR and Western countries?

Overall, it is impossible to outline one particular reason on why the Soviet Union decided to refuse to ratify the Bretton-Woods agreements, or what caused the emergence of the Cold War. During the conference itself, the Soviet delegates still tried to actively participate and defend the interests of the Soviet Union. Even after the conference, the available reports show that the Soviet officials were preparing amendments which might have been included into the Bretton-Woods agreements. Moreover, the documents indicate that the Soviet economists outlined that the participation of the Soviet Union might bring some profit and advantages. The hopes for the stable cooperation remained strong, the perspective of receiving extensive loan from the United States was highly probable, the war almost over, the interests of all countries were secured at various conferences and the postwar financial institutions seemed to provide certain economic profit.

However, the first signs of worsening of the relations could be noticed in May 1945, when the Lend-Lease program was terminated without any notification. Various scholars tend to believe that it was the first step towards the Cold War. The second aspect is connected with the loan negotiations which were important for both sides for different reasons. The Soviets needed the postwar credit, as far as the country was simply ruined by the German military invasion. The United States were ready to provide a certain amount but only after discussing and settling with the Soviet Union the matters which the Soviets were not ready to negotiate. The loan negotiations were taking too much time and seemed not to bring any effect, because both the United State and the Soviet Union were not ready to make concessions: the Soviet Union was concentrated only on economic matters, whereas the United State wanted to deal with the set of political and economic issues. It is highly probably that the loan negotiations were one of the key aspects, as far as few documents prove that the Soviet officials advised to wait with the ratification, until the US would grant the promised loan. Otherwise, if the Soviet Union had entered the Bretton-Woods institutions, it would have been regarded as a weakness. Closer to the ratification deadline, that is 31 December 1945, the more distrust seemed to emerge between two Allies. The Soviet Union was not ready to include in any political discussions the loan agenda

and was discontent with the pressure of the US. Moreover, Stalin was reluctant to opening up the Soviet economy to the foreign countries and giving up part of the gold as a necessary subscription.

The evident rift between allies appeared in between February and March, when Stalin and, later on Churchill, made their speeches. The Soviet leader with his aides started to formulate the new policy principles and create the buffer zones around the Soviet Union in response to challenges which were emerging at the Soviet western and eastern borders. The Soviet leader tried to secure not only his country, but also his dictatorship.

Finally, few scholars pay attention to the attitude of Harry Truman towards the Soviet Union. He decided to avoid the diplomatic methods of Franklin Roosevelt, but to deal with all problematic issues from a position of power. Surely Stalin, who never fully trusted the Western countries, regarded it as a challenge and did not want to make any concessions and to be more flexible. The more the former Allies were drifting away from each other, the more the chances of a Soviet ratification were fading away.

## 5. Conclusion

The United Nations Monetary and Financial Conference, took place in July 1944 in New Hampshire, the United States. The forum gathered 730 delegates from 44 states with the aim to adopt a regulatory policy of international currency, financial relations and stabilize international trade after the Second World War. It certainly was an unprecedented attempt to apply the experience of the economic disaster of the 1930s and to prepare the world for the postwar recovery period. It demanded the cooperation of 44 countries in order to elaborate and formulate the principles of the new global financial system, and to create special controlling institutions. In the minds of people's memories the financial crisis of the 1930s were still fresh and, surely, had great impact on the society. Various countries started to react differently on the economic conditions of that time, which led to the chaos and disruptions of trade and financial relations. Two leading countries, the USA and Great Britain, represented by Harry Dexter White and John Maynard Keynes respectively, took the initiative to elaborate the plans on a postwar financial system which would be stable after the war. The first draft of the British plan was ready in the summer of 1941, whereas the American first draft was presented to Roosevelt in May 1942. Both plans had some common points, such as sustaining the internal economic stability in the countries by introducing some state control of monetary policy. Although two plans had one aim to stabilize the postwar financial relations, the ways to achieve it were different. Keynes prioritized the internal development of countries in the new financial system, whereas White placed a premium on international stability and advancement. Moreover, the White plan included the gold standard, as far as the US accumulated extensive gold stocks, while the Keynes plan was excluding gold, due to the limited British gold reserves and an extensive outstanding debt, and introducing the new currency, i.e. the bancor.

Although both economists were elaborating their plans separately, they were exchanging their ideas and drafts throughout 1942. The next year White and Keynes reached an agreement on the plan that could be presented to other countries and discussed at the bilateral meetings with the delegates from other participating countries. Numerous discussions and negotiations took place both in the US and Great Britain and resulted in *The Joint Statement by Experts on the Establishment of an International Monetary Fund*. It was published in April 1944 and became a framework for the following conferences at Atlantic City and Bretton-Woods. In June 1944 the United States invited the representatives of 16 countries to the Atlantic City conference to prepare the agenda for the Bretton-Woods conference and to settle beforehand as many controversies as possible.

The Soviet Union was invited to participate during the preparation process and to the conference itself. The Soviet Union joined the negotiations pretty late in contrast to other nations, only in January 1944. However, the explanations for the motives of the Soviet Union's decision to participate vary. The most logical explanation seems to be Stalin's intention to take part in the establishment of the postwar world order and not to isolate the Soviet Union from the international affairs. The Soviet leader considered the USSR as an equal partner in the Anti-Hitler coalition and wanted the Western partners to take into account the Soviets' interests. Moreover, the Soviet reports, prepared at that period of time, were highlighting the necessity of cooperating with the Allies, because it could give considerable advantages to the Soviet Union's recovery and Soviet people in general.

The Bretton-Woods conference started its work on the 1 July in the pleasant and friendly atmosphere. The discussion was divided among three Commissions which were dealing with various aspects of the financial institutions, the IMF and IBRD. One of the most complicated issues, which sparked numerous discussion and discontent, concerned the quotas. As far as quotas were connected with the voting power of the members, the representatives from Iran, China, Greece and India declared their discontent with the assigned quotas and highlighted their economic importance. The delegates of provisional government of the French Republic expressed frustration and protests because their quota was extremely low. According to the available transcripts and memoirs of some participant the Soviet delegation was participating quite actively, at least in the discussions which concerned the national interests, such as, the mandatory provision of the economic information to the Fund, the gold contribution of the countries which suffered from the extensive damage. However, most available memoirs describe Soviet delegates, who were struggling between communicating with other delegates, because of lack of the linguistic knowledge, and the Soviet government. It was impossible for the Soviet representatives to agree to anything without the consent from Moscow.

Overall, the Bretton Woods outcome had more positive aspects for the Soviet Union, rather than negative. As a result, in the post-conference period, the Soviet officials prepared a number of reports in which different aspects of the newly founded institutions were analyzed. The documents were emphasizing that the Bretton Woods articles did not contradict Soviet laws. However, why did Soviet Union then not ratify the agreements? Unfortunately, there are no official documents or reports which might shed light on this matter. Most Western scholars suppose that Stalin either was reluctant to disclose the economic statistics, such as gold production and reserves, or he did not want to enter the institutions because it might have been perceived as a weakness. Few Russian scholars state that the ratification of the agreements was not profitable for the Soviet Union and, if the Soviet had entered the institutions, it would have

become a second-rate country. Moreover, the strained relations between the Allies made Stalin more suspicious and not willing to open up the Soviet economy.

Nevertheless, various sources demonstrate that the Soviet leader expected for an American loan, which was mentioned numerous times by the American officials. The chance of the getting the postwar credit was quite high for the Soviet Union. However, after the sudden termination of Lend-Lease and adoption of "Import-Export Bank Act 1945", the chance to receive any financial assistance from the United States was reducing every month. Although the American president could recommend the Congress to approve the extension of the Import-Export Bank capital, President Truman was postponing this issue. However, an extensive \$3 billion loan was granted to Great Britain. Moreover, the United States tried to solve certain political issues, such as the Soviet actions in the Eastern Europe and the protection of intellectual rights by using the economic pressure. As some Venona documents indicate, the economic pressure was believed by the United States to be one of the most effective tools. The Soviet Union refused, however, to be more flexible and to make certain concessions. In the end, the United State lacked the patience to finalize all the disputes and decisions with the Soviet Union, whereas the Soviet Union did not show enough involvement in creating an economic basis for the stable Soviet-American economic relations. The Soviet Union tried to yield a maximum profit from the cooperation, but at the same was not ready to make any concession to the Unites States.

This divide between the two nations started to deepen and divided the entire world into two groups of nations. Possibly, the most important chasm between allies appeared between February and March 1946. In February Stalin made an address to the Soviet people urging them to make another effort, because capitalism was remained a great source of wars and aggression. Although the speech was targeted at the mobilization of internal Soviet resources, the Western partners regarded it as a coming wave ideological struggle. The following Fulton Speech of Winston Churchill and hardened policies of the Western countries were interpreted in the Kremlin as a new Anti-Soviet strategy. The Soviet leader with his aides started to formulate the new policy, to conduct the rearmament and development of air defense systems, and create the buffer zones. It was regarded as a Soviet response to the challenges which were emerging at the Soviet borders, such as the drop of the atomic bomb, the opposition of pro-Western activists in Romania and Bulgaria against the "Sovietization" of those states. For many scholars this period became a breaking point in the Soviet-American relations.

Finally, it seems that the two systems were too different economically, politically, ideologically and socially. They were striving to impose their beliefs and way of life on other liberated nations. For the West, the Soviet Union was a state with a hostile ideology, which could emerge as a hegemon, while the Soviets believed that, the United States' foreign policy



aimed at the destruction of the Soviet Union and pursuing “world supremacy”. It was a conflict of two systems which were both fighting for “the soul of mankind”.<sup>350</sup>

Although no definite answer has been found on the main research question, as far as there are no official documents which could clearly indicate the Soviets’ refusal to ratify the Bretton-Woods agreements, the research still contributes to the common knowledge of the Bretton-Woods. The economic conference is usually discussed very briefly in Russian sources and mostly from an economic point of view. Scholars only mention the Soviets’ refusal and never elaborate any further. The presented reports demonstrate that the Soviet Union considered the advantages of its participation, was interested and willing to become a part of the new financial world order. However, these reports do not elaborate on the reasons of the Soviet Union’s final decision. Therefore, the author recommends continuing further research of this topic as far as the Russian government might, eventually, declassify the documents which would reveal the definite reasons of Stalin’s decision.

Word count:

27 168

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<sup>350</sup> Lundestad, 120.

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