Treasury Department
Division of Monetary Research

Date October 3, 1942 19

To: Mr. White

From: E. M. Bernstein

Subject: Kindleberger's memorandum on International Monetary Stabilization

Pages 14 and 16 of this memorandum contain a discussion of an international stabilization fund. By and large I think what he has to say is favorable. A significant paragraph is quoted:

> "An international stabilization fund with large resources would, like the unorthodox proposals, obviate the necessity for a redistribution of international assets, and might contribute effectively to confidence in national currencies. The collection of international assets in the fund could be made available to countries with temporary balance-of-payments difficulties for a sufficient period of time to enable disequilibria of an ephemeral character to be corrected. Surplus countries would be paid for their excess of sales over purchases, so long as their original contributions to the fund sufficed for this purpose. Loans by the fund to deficit countries would have to stop, however, when the assets of the fund were fully engaged in unpaid previous loans, unless further contributions from the surplus countries were forthcoming."

It is interesting to note that Kindleberger's conclusion that "while some new international

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monetary machinery, such as a stabilization fund, may make an effective contribution to international monetary stability in the short run, the effective basis for such stability must be found in a revival of long-term capital movements." Kindleberger does not go on to discuss the desirability of common action through a bank for reconstruction and development to provide the necessary capital without reliance upon hesitant money markets.