

Today and Tomorrow

MAR 17 1945 By Walter Lippmann

The Bankers And Bretton Woods

THOSE WHO are supposed to know about the Bretton Woods proposals are divided. Thus the American Bankers Association and the New York State Bankers Association are leading the opposition. They speak with the authority of bankers who have a long experience in international finance, and the position they have taken reflects the views



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of Prof. John H. Williams of Harvard University, an expert whose views command great professional respect. But not all bankers, not even all international bankers, agree with them. And among the recognized experts in this field, it is fair to say that the majority are with varying degrees of enthusiasm and hopefulness for the plan.

Now when technicians disagree, the layman must ask himself whether the issue is at bottom technical, and beyond his understanding. There are, it seems to me, strong reasons for thinking that the issue does not lie in the field of technical currency problems but in that of the national policy of states, and that it has to be decided not by bankers and experts as such but by men of affairs.

IF WE COMPARE Bretton Woods with the counterproposal of the two bankers associations we shall find, I believe, that there are two different methods intended to accomplish the same result. Both assume that it is desirable to restore a system of international trading through markets which shall be as free as possible and by means of currencies which shall be as stable as possible in their rates of exchange. Both agree that to do this it will be necessary for the United States, as the great creditor nation, not only to invest abroad continuously over a long period of time but also to make short and intermediate loans to stabilize, or at least steady against arbitrary alterations, the rates of exchange.

The argument between the two bankers associations and the supporters of Bretton Woods is confined to the manner in which these stabilization loans are to be made. For it is agreed that long-term loans to be invested in development projects abroad shall be made according to orthodox banking principles—that is by compelling the borrower in each case to prove his creditworthiness to bankers. The question at issue is whether the stabilization loans can and should also be made in this fashion, whether governments will come one by one to a bank, will let it pass upon the soundness of their taxes, their expenditures, and the national and social policies which their budgets reflect.

THE TWO BANKERS associations think that such a system, which in fact existed for generations and during the Twenties after the other war, is preferable, and that the other nations can, if Congress so decrees, be compelled to return to it. The delegates at Bretton Woods represented existing governments. They took a different view—that, whether or not the old relation between governments and international bankers was better, the nations today will not return to it, and that they cannot be compelled to return to it because they do not have to.

Bretton Woods recognized that stabilization loans touch the sensitive nerve of modern nations—their social policy, their employment policy, their wage and price levels which, second only to political independence, are now regarded in all popular governments as the very essence of their sovereign control of their own affairs. So for stabilization loans they proposed not a bank but a fund, to which governments could come—not as borrowers to a banker who may judge their affairs but—as members of an association who have the right to draw a fixed amount provided they could show they were observing conditions to which all had agreed in advance. In such an association they were prepared to open their books to one another. The bankers declare that this is contrary “to the usual lending practice.” And

so it is. The question is whether the postwar governments will subject their employment and other policies to the kind of scrutiny and judgment which a banker exercises over a borrower in “the usual lending practice.”

IN THE AMERICAN Bankers Association report it is said that “if the Congress should decide to create only a single institution, the bank might by minor changes in its charter . . . carry on the desirable functions of the fund.” The author of that sentence is saying that if the Bretton Woods plan is rejected, the other nations must and will accept the plan of the two American banking associations.

I think they are very much mistaken in their estimates of what contemporary governments will do, or can be compelled to do. For the other nations the alternative to Bretton Woods is only theoretically the bankers' plan. In fact the alternative is to do what a growing proportion of the people in Britain and other highly developed countries wish to do anyway—to do their international trading under government control and direction, to make bilateral and regional agreements on imports, exports, and monetary clearing arrangements, and thus in world commerce to do away with the system of free enterprise in free markets.

THE BRETTON WOODS proposal may seem radical and novel to the American Bankers Association. But in the British Parliament, even with—perhaps even because of—its huge Conservative majority, in circles where the London Times and the Economist are read, the Bretton Woods proposal is under heavy criticism for reasons quite the opposite of those which the bankers use here. The proposals are not regarded as radical but as reactionary: by some as a well-meant but dubious effort to restore a desirable international economy, by others as a dangerous effort to tie the hands of their governments in order to revive a system which is now dead and gone forever.

Yet England, we must remember, is the ancient center of free enterprise in free markets with currencies stabilized on gold. If in England there is so much doubt and opposition to making another attempt to restore the free market, what will be the disposition of the other European countries, every one of which is now committed to varying degrees of collectivism?



IT WILL BE, we may be sure, that if America—which alone still believes wholeheartedly in free enterprise—prefers not to make the difficult experiment of restoring free enterprise on conditions to which the others have only reluctantly agreed, then the old international economy must be regarded as dead, and all their energies be concentrated on organizing a new and radically different one.