

The EDITOR'S CORNER



BRETTON WOODS

THE POSITION of bankers on the Bretton Woods Plan has been grossly misrepresented and generally misunderstood. The daily press has pictured bankers as opposed to the plan. The truth of the matter is that bankers do not oppose any practical steps to stabilize international trade and international currencies. The only difference between the treasury and the banks is a question of method and approach.

The best minds in banking as represented by the American Bankers Association, the Association of Reserve City Bankers and the Bankers Association for Foreign Trade, recommended in all sincerity the plan for the international bank for reconstruction and development be adopted with minor changes. The same bodies recommended with equal sincerity that the plan for the international monetary fund be not adopted.

In lieu of the monetary fund, it was recommended that certain of its features be incorporated in the provisions for the bank, thus avoiding lending methods that are unproved and impractical. This change would result in one management to handle both the bank and the fund with the result that the objectives of Bretton Woods could be achieved and the risks reduced, at the same time avoiding conflicting policies and cross purposes that would inevitably occur through separate managements.



THE REPEATED EFFORTS TO LABEL bankers as obstructionists in this world plan is the rankest injustice, for which no good reason has been given. The only reason advanced is that any change in the plan would necessitate ratification by the forty-four nations concerned. It is reasonable to assume that the other forty-three nations will propose a certain number of changes in the plan and the routine of approval would consume little if any extra time, were the combination of the bank and the fund to be given its day in court.

The primary foundation for the stabilization of world currencies is the firm stabilization of the United States dollar in relation to gold, in the opinion of these committees who conclude their report with these words:

American bankers are keenly desirous of securing positive, constructive, and effective action in establishing means for international monetary cooperation. This is one of the essential steps in a broad program for world reconstruction and laying the foundation for lasting peace.

The interest of the bankers in this program is the same as that of their 50,000,000 customers, and of the people as a whole. The well-being of all Americans will be affected for good or ill by the action that may be taken on these proposals. Any plan adopted will be a new experiment in international cooperation on a scale never before attempted. An international organization at best offers such serious practical operating difficulties that we must try hard to make this one simple, understandable, and workable.



THE COMMITTEES OF THREE MAJOR banking organizations, having studied the Bretton Woods plans with great care, make their recommendations in the belief that, with able and experienced management, the plan proposed would prove sound and effective over a term of years in achieving the major objective of international financial cooperation. The committees believe that the monetary fund as drafted is unsound and would increase the already grave danger of inflation; would delay fundamental economic adjustments; and would fail to protect the principles and interests of the United States and her citizens. They believe that the simplified program they suggest would accomplish the desired purposes more effectively and with much

less danger. They believe that it would be accepted as readily by other countries and would wear better in the realities of this chaotic world.

The committees further realize the responsibility for decision lies with the Congress in the light of broad political and economic, as well as technical considerations. They express the hope that Congress will act positively and with as much promptness as is consistent with the careful scrutiny the problem requires.



THAT IT IS EASY TO BECOME LOST in the maze of technical details and to overlook the broad economic and human questions which, in the end, are the determining factors, is recognized. The question is not how an institution ought to work in a perfect world, but how it is likely to work in an imperfect world where decisions are based upon political and human reactions.

With regard to the quality of international lending, the report says the fund and the bank are in different categories. The proposed International Bank embodies satisfactory principles and procedures; (1) The loans have to be for specific purposes, (2) they have to be examined by a special committee, (3) they must offer promise of repayment, (4) the country whose currency is lent has a veto power covering all major transactions, (5) much of the operations may take the form of guarantees of loans made through the market and subject to that review, and (6) the Bank will not make loans which can be made reasonably through private channels. If we assumed good management, the institution should be able to operate soundly and effectively.



THE FUND, ON THE OTHER HAND, has no such definite or effective provisions to safeguard it against misuse. The fund is set up on the principle of a pool from which each member has a right to draw, with limitations of two types: (1) formulas which are so rigid in their operation as by their very inflexibility to require the insertion of waiver clauses that leave loopholes, and (2) formulas which are so general and vague in their terms that countries—even with the best of intentions—may easily differ as to their interpretation. It is questionable how effective in practice these limitations would be, especially when the whole emphasis of the fund, as expressed in the articles of agreement, is to give countries experiencing difficulties the benefit of every doubt. As opposed to the usual lending practice, which places the re-

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sponsibility for making out a case for credit upon the borrower, the fund goes on the theory that the borrower is entitled to credit unless the lender can make out a case to the contrary. And under the Bretton Woods plan the lender is an institution in which the United States would have only a minority vote as compared with actual and potential borrowers.

This then is the case of the banking fraternity in re: Bretton Woods. May Congress, which is the arbiter, act with divine guidance. May the same power absolve the bankers from the finger of accusation, which has been pointed against them.