

Diagram Perfected at Bretton Woods for U. S. International Monetary Policy

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THE recent conference, with forty-four nations participating, at Bretton Woods, New Hampshire, will be food for thought for the business interests, bankers, and governmental executives and legislators in the months ahead. The United Nations Monetary and Financial Conference was in session for a period of three weeks. The president of the Conference was the Honorable Henry Morgenthau, Jr., Secretary of the Treasury of the United States, and chairman of the American delegation. In addition to the delegates from the forty-four nations, there was a representative from the government of Denmark, as well as numerous economists and technicians. It was a working meeting—commissions, committees, and sub-committees continued for the period, daily and sometimes into the late night hours, on their respective tasks. The decisions of the Conference must now be presented to the respective governments of the forty-four countries for their consideration and approval. It has been announced that the programs of the conference will not be presented to the Congress of the United States until after the November elections, thus obviating any partisanship in the consideration of same.

Three Main Commissions

The conference was divided into three main commissions, (1) the International Monetary Fund, (2) the International Bank for Reconstruction and Development, and (3) Other Means of International Financial Cooperation. The Fund can be made an essential step toward exchange stabilization. Such Fund offers a mechanism for economic reconstruction and should materially aid international cooperation.

The bank would offer long-term loans and guaranties to supplement, where necessary, short-term operations of the International Monetary Fund. The bank as its name implies, has two purposes, reconstruction and development, with equitable consideration for projects of each nature alike.



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A comprehensive mechanism for proper international cooperation in the monetary and investment spheres is, in short, in the opinion of the delegates at Bretton Woods, the total results of their combined efforts. The issues dealt with by the conference are among the most complex in the whole realm of economic policy. Yet, such issues are of tremendous importance to the future of the ordinary American businessman, industrialist, or farmer.

It is a truism that economic factors play a major part in international relations; that economic frictions, among nations, contain within them the seeds of war, and that sound international economic foundations are essential to the establishment of peace. Of all the economic factors leading to disputes and conflicts in the international sphere, the monetary is the most important. Two objectives were definitely in the minds of the members of the conference, (1) The promotion of currency stability and prevention of competitive currency depreciation and restrictive exchange practices, and (2) The revival of international long-term investments and the de-

velopment of a balanced growth of world trade. The conference set up the Fund for objective No. 1, and the Bank as objective No. 2.

These institutions with resources of \$8.8 billion and \$9.1 billion, respectively, attempt to provide an orderly framework for monetary stability and world economic growth. The first institution should make a major contribution to future peace if it attains its goal of eliminating unfair competitive monetary practices. Such practices are the monetary counterpart of political aggression. Their elimination should insure international monetary cooperation and security. The success of the second institution, likewise, should make a major contribution toward the establishment of world prosperity and proper living standards, by widening and creating markets for natural resources, and for agricultural and industrial products, and by facilitating the expansion of the total volume of world trade.

Important To America's Future

The objectives of both institutions are vitally important to the future of American business, including the factories, the mines, the banks, and the farms. American agriculture can quickly draw a parallel. Farmers know how much they suffer when there is a currency instability and when concomitantly the volume of international trade is reduced. The value of our wheat, cotton, and tobacco exports fell catastrophically for the period from 1928 to 1932. No one suffers more from competitive exchange depreciation than the farmer. When other countries depreciate their currencies, the prices of our exports rise commensurately in the world market, and the value and volume of our exports decline. Bitter experience has shown that agricultural exports drop to a much greater extent than do industrial exports when countries resort to aggressive monetary and economic devices. The trouble with currency depreciation is that it is a bad habit, which is contagious. If "A" country depreciates, country "B" will follow its ex-

ample. Then country "A" will depreciate again to catch up with country "B." A vicious circle is then created in which the volume of world trade contracts and the fight for what is left becomes increasingly savage.

But while currency stability is essential for the maintenance of our agricultural exports, it may not be sufficient to insure our present agricultural expansion. The agricultural front in America has risen to the challenge of war and has attained new records of production in meeting that challenge. If American agriculture is to maintain its prosperity; if American agriculture is to provide its jobs for returning soldiers; if our nation is to give our returned soldiers the economic opportunities which have been promised them and which is their rightful lot; American agriculture and industry need wider markets.

There is no question of the demand and need for American agricultural and industrial products by other countries. The rest of the world is experiencing not a hunger but a famine, for goods, unparalleled in history. For how many years have people in the war areas gone without the chance to replace their clothes; how many countries have been unable to import cotton, tobacco, peanuts, farm implements, tractors, automobiles, motors, and the like? In the Southeast, we should have no difficulty in disposing of our production of cotton, tobacco, and peanuts if the international monetary mechanism is functioning properly. Many countries have been looted by the enemy. Many others have had their economies dislocated by the imperative demands of war. All countries have had their economies distorted by the impact of war. It is essential to provide a mechanism to enable the world to bridge a gap from war to peace, without the economic chaos which ensued after the termination of the last war. It will be one of the functions of the bank to provide such mechanism in the sphere of world trade.

We must look forward, not merely to a return to prewar levels of employment, and to prewar living standards, but toward ever-expanding opportunities ahead. The Secretary of the Treasury, in his inaugural address to the conference at Bretton Woods, stated, "Prosperity has no fixed limits and like peace is indivisible." Agriculturally and industrially advanced countries, like ourselves, need markets, more backward countries need our goods. The proposed bank should facilitate the getting together of sellers and customers, and its operations should do so on sound financial terms.

The fund and the bank are not programs designed to pour American money

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down the drain. The American delegation at the conference was practical in its discussion and thinking. They were not wild-eyed visionaries and enthusiasts seeking for crack-brained solutions of the world's ills. They were hard-headed realists and businessmen, seeking to pave the way for international monetary and economic cooperation on the tried and tested principles of American economic success. Who could be more realistic and practical toward an American business program than Mr. Edward E. Brown, president First National Bank of Chicago, the commercial bank member of the official American delegation? Both programs have teeth in them, which safeguard the interest of the creditor while protecting the debtor against either exploitation or unsound borrowing.

Resources Adequate

Both institutions have resources adequate for the purposes for which they are designed to fulfill, and both institutions would have powers sufficient to safeguard their resources against unreasonable and economically unremunerative demands. In both programs the emergence of America as the world's leading economic power is recognized, and a measure of

influence and strength befitting her position is given her.

Sound international investment is profitable both to the country making the investment and the country in which the investment is made, and the converse is equally true. Unsound international investment is a curse to the borrowing as well as to the lending country. America is not going to give away her exports, she is not going to donate her money for investment abroad. However, she is not going to repeat the errors of the 20's when American private investors lost their money in a manner detrimental not only to themselves but to the recipients. We will ever remember the record of our loans to Germany, which precipitated the crisis of 1929, and which contributed to the debacle in Germany—one of the major causes of the present world war.

America Will Learn

America must and will learn from her past mistakes. She is making, today, her contribution in the political as well as in the economic sphere, toward the creation of the instruments essential for the elimination of the causes of war. The American citizen wants the assurance of peace and he wants the chance to attain prosperity by the exercise of his

individual initiative and ingenuity. The Bretton Woods Conference can be made one of the healthiest signs of our determination to erect the firm foundations for a lasting peace, and to institute a framework of world prosperity in which American standards of living can not only be maintained but register new advances.

Resolutions Adopted

Commission No. 3, which as set out above handled matters other than the fund and the bank, presented to the conference three resolutions which were adopted. These three resolutions set out, (1) That it was the sense of Commission No. 3 that the subject of silver should merit further study by the interested nations, after commenting on the fact that due to the shortage of time, the magnitude of other problems on the agenda, and other limiting considerations, made it impossible to give sufficient time to this problem in order to make definite recommendations; (2) the liquidation of the Bank for International Settlements at the earliest possible moment; (3) that it was felt that steps should be taken to prevent Axis leaders from enjoying any of their ill-gotten gains after the war from what was termed Axis-looted funds.