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Letters to The Times

Stabilization of Currency

Various Phases of Important Subject Come In for Discussion

TO THE EDITOR OF THE NEW YORK TIMES:

By choice no one would seek to disagree with so kindly a critic of your recent editorial on the Treasury Department's plan of international currency stabilization as Louis H. Pink. But there is room for fear that if put into operation the plan would lose for American labor, commerce and industry, a good deal more than the nation could afford.

Indeed, it is surprising that there has so far been no widespread discussion of what we should or are able and willing to give to help other war-stricken nations to get on their economic feet. Most of the generous promises have been graciously made by persons with nothing to give. Public officials, in particular, are not elected to bask in the sun of munificent generosity with other people's money. And I very much doubt whether the Soviet Union has agreed to match our proposed gold contribution to the international fund against the what-have-you of other nations.

To begin with, no confidence is inspired by the Treasury Department's headline implying that its plan must be good because some thirty nations are prepared to collaborate in its adoption. The only reason for our participating in such a venture that should impress the Treasury Department is that it would be good for the United States. But on the face of it we should immediately lose the advantage of having what many regard as the safest currency of any world power.

Starting at Home

It seems to me that THE TIMES, editorial is altogether unanswerable—namely, that if nations would stabilize their currencies at home, international stabilization would follow as a matter of course.

The idea of compelling a fairly permanent relation between national currencies springs from a widespread notion that Governments try desperately to keep their currencies inviolate, but are cruelly stopped by outsiders. In truth, however, Governments manipulate their currencies by choice or necessity for their own advantage, real or supposed. No outside influence caused the collapse of the German mark, the French franc or the Italian lira after the last war. No foreign power in 1934 dictated the default by the United States of its promise to redeem its gold notes and other obligations with gold coin of prescribed weight and fineness.

It is unlikely that the European countries are as yet prepared to stabilize the value of their currencies. I doubt whether it would be advisable or practicable or that they could do so at once if they tried. The domestic value of the currency of most countries is now sustained by force and fiat. Public markets in gold, which would quickly and reliably fix the relation of all currencies, are practically forbidden everywhere.

Revaluation Needed

With the re-establishment of peace the people of the warring nations will demand safe money for their goods and labor, money that will be good abroad as well as at home. This will call for radical currency revaluation and getting rid of old money that is too far gone to be resuscitated. For the United States to support overvalued foreign currencies with American goods or gold would be doing no good turn to the citizens of those countries. In fact, no other country would be so guileless as to think seriously of guaranteeing the value of any foreign currency over which it had no control.

Our aid to suffering nations and their populations should be direct, and given with the knowledge of the reduced standard of living at home that it will cause.

Positively, our post-war charity must not be confused with our business dealings with other nations.

ARTHUR W. WARNER.
New York, May 29, 1944.

Maintenance of Employment

TO THE EDITOR OF THE NEW YORK TIMES:

In connection with the proposed international stabilization fund, your editorial on May 29 takes issue with the decision of the British Government to preserve full employment after the war by maintaining the aggregate spending of the national community at such a level as would assure full employment. As your editorial explains, such a policy would endanger the stability of the pound sterling. It asks how long the United States should consent, and how long it could afford, to support the pound sterling by means of a stabilization fund. The conclusion of your editorial seems to be that a stabilization fund ought in no case to be established, since if Great Britain sticks to its plan of maintaining full employment the fund's means will prove inadequate, and if she abandons it, the fund will be superfluous.

Against this negative attitude there exists a constructive solution. If the United States and other advanced countries follow the British example and maintain full employment in their own countries, that danger to the stability of the pound which your editorial points out will not exist. There will then be no need for using the fund to fill such gaps as are bound to arise if there is full employment in England and mass unemployment in the United States. The eight billion dollars of the stabilization fund could then be used to ward off the consequences to the stability of currencies arising from temporary deficits in dollars or other foreign means of payment which occur from time to time from other reasons than the business cycle.

You seem not to have realized the consequences of a refusal by the United States to participate in an international stabilization fund and also in the World Bank, the establishment of which has been proposed for the purpose of granting long-term foreign loans.

Indeed, it cannot be assumed that, as a consequence of the United States' withdrawal from international monetary cooperation, a British post-war Government would abandon employment policies to which the country pledged itself during the war. Lack of support from the United States would inescapably drive England into defensive and aggressive currency and commercial policies. She would be forced to resort to attempts at maintaining domestic full employment and at increasing her exports by combining devaluations of her currency within a sterling block, with exchange control and with all kinds of bilateral and discriminatory trade agreements. She would be forced to take the greatest possible advantage of the monopolistic position which her large purchases on the world market might assure her.

Such policies might eventually do harm to England, but if she lacked the support of the United States, she could not escape them. This would mean disorganization of world trade and the development instead of the spirit of cooperation, of a spirit of aggression. Such a development would augur ill for world peace.

ALBERT HALASI.
New York, May 29, 1944.