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World Monetary Problems

~~The forthc~~oming monetary confer~~ence, called~~ by the United States government, has centered attention on world monetary problems. Needless to say the problems are many and difficult.

The manner in which the Nazis have financed their war effort out of monetary loot threatens to produce severe postwar inflations in all of the occupied countries. Germany will herself be in a particularly difficult monetary position. Great Britain must decide between violent depreciation of currency or retention of strict control over outward exchange payments. The scope, duration and violence of the war with its dominant emphasis on productive capacities have all dislocated trade from customary channels, and have encouraged productive capacities to develop where normally they would be without economic justification. The political uncertainties of the last 10 years have caused flights of capital and have culminated in a maldistribution of gold stocks enormously more critical than after World War I.

Even before the outbreak of World War II, in 1939 many economists believed a return to a gold standard of the pre-World War I pattern would be impractical until more basic remedies had been applied to the international economy —and to internal economies as well. The importance of the points brought forward then has been magnified by events of the war period. The extreme of hardship that threaten the internal economies of many nations in the postwar era will be a principal reason for maintaining blocked balances, high tariffs, trade restrictions and quotas, capital controls, and other devices of economic nationalism. While it is generally agreed that the economic unbalances and confusions of the post-World War I period can be avoided only by development of freer international trade and exchange practices, the required sacrifices of sovereignty and of favorable balances of trade, added to internal political and social pressures, will conspire to create an atmosphere unfavorable to the desired reforms.

The proposed plans for international stabilization of exchanges aim to solve this dilemma: external stability is impossible if internal price and wage structures remain constant; internal stability is impossible if international exchange remains stable. Most plans provide for at least moral sanctions against devices of economic warfare and unfair competitive practices by nations. On the other hand, most of the plans assume a general willingness of nations to form multilateral trade agreements, to relax trade restrictions and barriers and to submit themselves to advice from some international economic institution.