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Monetary Plan Held Basic To Stability

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Washington, May 30—The world monetary conference to which President Roosevelt last Friday invited 41 United and associated nations, plus the French Committee of National Liberation, will be the fourth in a series of international assemblages which have been seeking solutions to problems the nations will face when the war ends.

Without currency and exchange stability in the world, it is commonly agreed by experts everywhere, it will be difficult if not impossible, to achieve the objectives of United Nations Relief and Rehabilitation, of the world food conference held a year ago at Hot Springs, or of the International Labor Organization meeting on which the President reported to Congress yesterday.

Significant Factors

Significantly, the call for the money conference was attended by two circumstances which many here believe augur well for it ultimate success:

1. The fact that the "Big Four"—the United States, Great Britain, Soviet Russia, and China—in addition to thirty-odd smaller nations already had reached a tentative agreement on a plan.

2. The fact that the proposed plan gives gold a predominant role and will be the common measuring stick for the various currencies of the world.

Although the tentative plan does not undertake to reestablish the gold standard as it operated in the Nineteenth Century or in the Twentieth Century to the end of World War I, it gives gold a definite recognition and a role that was lacking in original Keynes or British plan.

Victory For U. S. Experts

This recognition of gold is a victory for the American experts, who pressed for a larger role for the yellow metal than the British experts originally envisioned. This victory, probably, was not without its price. As some here have looked at the plan it will mean:

1. That the United States will have to put up the biggest single chunk of gold when the stabilization fund is created.

2. That in the establishment of an International Bank for Reconstruction and Development, or a World Reconstruction Fund—also to be considered at the Bretton Woods (N. H.) conference — the United States may have to be the largest contributor.

Fund Of Eight Billions

The principal features of the tentative plan to which the experts of the United and Associated Nations have subscribed include:

Establishment, initially, of an $8,000,000,000 fund, with an ultimate objective of $10,000,000,000 if the world as a whole comes in.

The contributions to the fund, to be made by each nation in accordance with a special formula, would be about $2,750,000,000 for the United States, $1,125,000,000 for Great Britain, $1,000,000,000 for Russia, $550,000,000 for China and $300,000,000 for Canada.

Payments to the fund would be partly in gold and partly in the currency of the participating nations. The formula states that each would pay 25 per cent. in gold or 10 per cent. in gold or gold currencies, whichever is lesser, and the remainder in the currency of the respective country.

This country's contribution in gold would be about $660,000,000 and would come, according to the Treasury proposal, out of the existing stabilization fund. The fund now holds about $2,000,000,000 of gold.

Britain's gold holdings are small compared with this nation's $20,000,000,000 or more. Her 1938 total was $2,690,000,000. If she contributed her quota in gold it would require $280,000,000.

Of Russia's actual gold holdings, no recent information is available to the public. Her gold reserve in 1935 was $839,000,000, but production in the subsequent years has been reported as very large.

Other Nations

As to what gold other nations will have to contribute to the fund there is little actual data available now.

When the Treasury made public the stabilization plan some weeks ago the experts gave assurances that very many of the participating nations have much more gold than meets the eye.

Poland, for example, got most of her gold out of Poland before the war. So did Holland. So did Belgium and France get out large chunks of their yellow metal. Whether China has any gold reserve that could be tapped is not known, but it is regarded as doubtful.

Bankers Consulted

There have been many critics of the currency stabilization plan since the outlines of the final agreement were made public. But the Treasury is counting heavily on the fact that in drawing up this country's suggestions the American experts consulted widely with leading bankers in the big money centers and with foreign exchange experts.

One of the chief criticisms of the plan as it stands has been that "it seeks to achieve exchange stabilization without doing anything about currency stabilization." Critics who make this point argue that until national solvencies are restored, by balancing national budgets, the proposed fund will simply be a grandiose scheme "for letting a few strong countries bolster up many weak currencies." This, they assert, would give an illusion of stability as long as the gold and dollar resources of the fund lasted—then they envision a collapse. The Treasury experts assert, however, that the critics are wrong, which they hope to demonstrate when the definitive plan is finally drawn and submitted to Congress for ratification.

The Economic Policy Commission of the American Bankers' Association urge that instead of trying to achieve world stabilization at one grand swoop this nation seek first to stabilize the American dollar and the British pound. Moreover, said this report, all effort to stabilize world currencies before budgets are balanced will ultimately fail.