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Allies Plan Gold Standard

By JAY G. HAYDEN
From Our Washington Bureau

WASHINGTON, May 29. — The most significant circumstances underlying the call for 42 Allied and associated nations to join in a world money conference on July 1 are:

1 — That the United States, Britain, Soviet Russia and China already have reached a tentative agreement;

2 — That this calls for restoration of the gold standard.


Hayden

In the earlier relief and rehabilitation negotiation, the lesser international herd was not called in until the Allied big four had signed up, and it is authoritatively revealed that the same is true in this instance.

The unqualified recognition of gold, on its face, is a victory for the United States, which now possesses most of the world stock of that metal, but the indications are that this was attained by two major concessions on our part.

First, the quota plan of contribution is so framed as to require the United States to put up the bulk of the international gold reserve.

Secondly, we agreed to consider at the present conference, in addition to the permanent stabilization plan, a $10,000,000,000 international bank for reconstruction and development—a sort of International Finance Corp. — in which the United States again would be much the largest single contributor.

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HIGH POINTS OF PACT

THE HIGH POINTS of the tentative agreement of the big four are as follows:

The permanent international stabilization fund would be $8,000,000,000 if all 42 united and associated nations subscribe, and $10,000,000,000 if and when present enemy countries come in.

Each country would subscribe in accordance with a formula premised on proportionate world trade, gold holdings and gold production.

The meaning of this has not been spelled out exactly, but in broad terms the United States would put up $2,500,000,000 to $2,750,000,000; Great Britain $1,125,000,000; Russia $1,000,000,000; China $550,000,000; Canada $300,000,000.

The vital point is the form of these contributions. Each nation is required to pay 25 per cent of its contribution in gold, or 10 per cent of its holding of gold and gold currencies, whichever is less; with the balance in paper currency.

The United States is the one country that would be required to pay in the full 25 per cent of its contribution in gold. This would mean for us a gold payment of $600,000,000 or more.

As last reported, for 1938, Britain's gold holdings was $2,690,000,000. It is less today, but even on the 1938 basis Britain's gold contribution to the stabilization fund would be only $269,000,000.

Russia's last reported gold reserve, in 1935, was $839,000,000, and on this basis her gold contribution to the stabilization fund would be $83,900,000.

China presumably has no gold reserve at all.

FINANCIERS SKEPTICAL

JUDGED BY EXPRESSIONS of American financial and political leaders, so far made, if world financial stability could be purchased with $600,000,000 of our buried gold it would be cheap at the price; but there is much skepticism as to whether it will produce this result.

Even the authors of the present plan admit that there can be no stabilization immediately after the war ends. This is the reason why the $10,000,000,000 international RFC is being brought into the picture.

The business of this would be to lift present bankrupt governments (even the United States is running heavily in the red) to the point where there would be some hope of their paying back the advances made to them.

In addition to the contention that the permanent stabilization fund can't be of much use until something like solvency is restored to the prospective national borrowers, there is a strong group of American banker opinion to the effect that the plan is too grandiose.

The economic policy commission of the American Bankers Association, for example, recently urged that the first step should be to try to establish just two stable currencies—the American dollar and the British pound — with the view that when this is done "others will follow."

Further, this report said "The United States cannot successfully promote international monetary stability without making determined efforts to put its own affairs in order by balancing its budget and checking inflationary influences.

"Fiscal policies in time of peace continue to rest on the principle of deficit financing. All efforts to maintain international monetary stability will inevitably fail.

"Confidence in the dollar would be further enhanced by a clear-cut policy making the dollar redeemable in gold, in foreign trade, with no deviation from the present value."

Much is likely to be heard of the latter point of view both in the approaching monetary conference and the American presidential campaign, which will begin coincident with it.