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They'll Take It

Before any members of Congress who are inclined to accept the Bretton Woods proposals in toto close their minds, they should weigh the words of J. Clifford Folger, president of the Investment Bankers Association of America. Mr. Folger has put the case against the monetary fund into easily-understood terms.

This plan, as he told a New England group, is for keeps and once we have put the dollar back of the currencies of the world we can't back out. There will be no Reno to break up this marriage. That being so, there is every reason to analyze deliberately every phase of this exceedingly important commitment.

At Bretton Woods both the proposal for an international bank, to encourage constructive spending abroad, and that for the monetary fund, to stabilize currencies, were drawn largely by monetary technicians, with only a sprinkling of bankers. The fact that the bank plan has received general approval from those who did not have a part in its drafting should merit serious consideration for the banking community's opposition to the fund, desirable as some form of international economic co-operation is conceded to be.

The objections to acceptance of the Bretton Woods proposals as they stand is not based on unwillingness to engage in international co-operation. Businessmen, as Mr. Folger said, recognize that isolationism in banking is a thing of the past.

The weakness in the fund is that, unlike the bank, it does not reflect prudence and management. "For the first time in the history of the world outside of a completely socialistic system," Mr. Folger pointed out, the fund would provide "credit which is automatic and pro rata." We are told by those who are whooping it up for the fund without the changing of a comma that there are safeguards, and at first glance it does appear that a member nation's borrowing will depend on its quota.

"In the first year," says the agreement, "each member may borrow 25 per cent of its quota, or double the amount of gold which it deposits with the fund. It may add the same amount to its indebtedness each year, up to a maximum of 200 per cent of its quota." However, Article V, Section 4, permits the fund, "in its discretion and on terms which safeguard its interests," to waive any of the conditions limiting the extent of a member's borrowings. If one argues that the quoted phrase is adequate protection for the United States, with its minor voice, he is unduly optimistic. No nation, as Mr. Folger observed, is rich enough to stand up for long under this system of open credit.

Congress is being told, as is the country, by Bretton Woods advocates, that it can consider the program only on a "take-it-or-leave-it" basis. As time goes on, this plea seems more and more specious. The fund is chiefly to the advantage of other nations, though of course we have an interest in stable currencies throughout the world. But the countries with depreciated money have the most to gain, and it is silly to argue that we cannot bargain for fear of losing the whole program. If it is as important to other nations as it is said to be, they will take it with whatever safeguards Congress chooses to provide. That might mean dropping the fund entirely and keeping the bank, to see how it works, or it might mean amending the fund plan to minimize its dangers. Certainly, unless we have lost all sense of caution, we Americans cannot swallow the whole scheme merely on the say-so of Treasury technicians.