Chicago Daily Tribune
MAR 27 1945

Bretton Woods Fund Scheme Assailed by Guaranty Trust

The solution of the problem of post-war credit in foreign trade "most emphatically" does not lie in an international monetary fund of the type provided in the Bretton Woods proposals, the Guaranty Trust Company of New York said yesterday in its monthly review of business.

It warned that too much reliance on credit as a means of increasing foreign markets for American products must be avoided. The volume of capital exports should be determined strictly from the long term investment point of view, with due weight given to their probable broad economic effects and the prospects of repayment, it explained.

Credit Temptation Strong.

"There will be a strong temptation to use credit as it was used after the last war as a means of stimulating merchandise exports without considering that in the end imports and services must pay for both the loans and our exports," the bank said. "If such practices should be adopted again they would probably end, as before, in a general international collapse of credit and trade, with heavy losses to American investors."

The bank said the international bank for reconstruction and development as proposed at Bretton Woods would be much more effective for providing credit needed to promote exchange availability and to finance rehabilitation than would the international monetary fund.

"The monetary fund could perform no useful function that the international bank could not perform as well or better; and it would expose the world, and the United States in particular, to a number of serious dangers," it warned.

Provides No Stabilization.

"If the proposal offered prospects of lasting currency stabilization its costs, even tho large, might be accepted as no more than a reasonable price to pay for such a desirable objective. But the plan would do little or nothing to promote true stabilization, and it might have exactly the opposite effect. Currency stability comes not from exchange-pegging agreements or lavish extensions of credit, but from sound economic, monetary, and fiscal conditions in individual countries."

The bank predicted that to a certain extent the maldistribution of gold and capital funds will tend to correct itself after the war. The big share of the world's gold held by the United States is partly offset by abnormally large foreign balances held in this country, it explained.

"It is reasonable to assume that the foreign balances will either be spent for American goods or repatriated until they are restored to normal levels," it said. "In the first case they will provide a means of payment for American exports."