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International Monetary Fund Won't Stabilize Currencies, Bank Says

Guaranty Trust States Operations Are Subject to Abuse, Chiefly At Expense of U. S.

The International Monetary Fund would do little or nothing to promote true currency stabilization and might have exactly the opposite effect, the Guaranty Trust Co. states in its current issue of the Guaranty Survey.

The methods of operation of the Fund, the bank states, would not prevent countries from adopting inflationary policies at home while continuing to exchange their currencies for others at fictitious parities. "They would make possible credit abuses," the Survey adds, "far exceeding those that occurred after the last war."

Such abuses, the bank contends, would be principally at the expense of the United States, since this country would supply a large proportion of the Fund and its currency probably will be most in demand after the war.

Moreover, it continues, the Fund would place the United States in the position of agreeing in advance to accept foreign currencies at certain values and to lend foreign countries large sums of money without an opportunity to examine the values of those currencies, the amounts or terms of the loans, or the financial position of the borrowers.

"Much more effective as a means of providing such credit as may be needed to promote exchange availability and finance rehabilitation would be the proposed International Bank for Reconstruction and Development," the Survey continues.

"Currency stability," the Survey asserts, "comes not from exchange-pegging agreements or lavish extensions of credit but from sound economic, monetary and fiscal conditions in individual countries. Balanced budgets, sound money, stable domestic prices, active and prosperous industry—these are the factors that make for stability of currencies. When they exist, no elaborate international mechanisms are needed to stabilize exchange rates. When they do not, such mechanisms are worse than useless."