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Bretton Woods

Restrictive Measures Might Be Needed British Say, if We Fail to Import

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Britain Today is an official publication of the British government. Printed in English, French, Spanish and Portuguese, it is described as "a link between Great Britain and her friends in other countries." We identify it carefully so there may be no doubt of the authenticity of an article carried in the November, 1944, issue entitled, "Britannia's Bank of Money."

This article, written by Oscar Hobson, presents the official British view of the proposed Bretton Woods plan, which is now under consideration by Congress. It also tells of the relationship of the Bank of England to this proposed plan. Space does not permit complete reproduction, but excerpts should give a working knowledge of the British point of view, which is highly important in connection with our consideration of this very important piece of proposed legislation.

Ralph Hendershot

"If the Bretton Woods plan is adopted, says the article, "Britannia will again sit on a bank of money, though a very different one from the guineas and moidores on which she was portrayed seated in 1694."

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How Fund Will Work.

"A country which has a payment to make to another country," the article goes on to say, "will go to the Fund and buy, with its own currency, currency of the country to which the payment is to be made. The result will be that the Fund will hold more of the paying country's currency and less of the payee country's currency.

"It may, in fact, come to hold too much of the currency of a country which is persistently in debt to the rest of the world. In that case it will, when this country has exhausted its credit 'quota' with the Fund, be called on to advise this country how to put its house in order; it may, if the disequilibrium causing the country's difficulties is 'fundamental,' permit it to devalue its currency, altering its exchange rates with all other currencies."

If this were to happen, of course, it is obvious that the Fund would be obliged to absorb the loss on the currency it held of the devaluing country. Moreover, it indicates very plainly that devaluation of currency is contemplated from time to time if the occasion demands, which seems to be rather contrary to the views of some of the plan's proponents in this country.

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Treatment of Creditor.

Of much greater importance to us, however, is the treatment which would be accorded a creditor nation, according to the British version, because the United States would fall into that category.

"Or again," the article continues, "the Fund may come to hold very little of the currency of a country which is a persistent creditor of the rest of the world through exporting too much and importing too little. If the Fund's holding of a currency thus becomes 'scarce' then, again, difficult problems will arise for the management.

"They may have to recommend the creditor country to become a freer buyer of other countries' goods since the alternative will be that other countries will be unable to continue buying the creditor country's goods.

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Restrictive Measures Suggested.

"In the last resort, it may have to authorize the debtor countries to adopt deliberately restrictive measures against the creditor country."

The United States is certain to export much more than it imports in the first few years after the war for the very good reason that very few other countries will have anything to sell but many of them will have very great needs. It is obvious, therefore, that a shortage of dollars will develop within a rather short time.

What happens to our proposed export program, we might ask, when these "deliberate restrictive measures" are authorized? Will we supply more dollars to the Fund or will we stop exporting? Congress should have the answer before it makes its decision.