Fund for World Bank Cannot Be Scrapped, Asserts Expert

By PATRICIA HAIGHT

While public opinion generally seems to favor the international bank proposed in the Bretton Woods world monetary agreements, some groups believe that the monetary fund, set up separately from the bank, can and should be junked. Actually, scrapping the monetary fund is "impossible," according to Dr. Norman T. Ness, assistant director of the monetary research division of the treasury department, who is in Portland to speak on the Bretton Woods agreements.

Dr. Ness

If the United States were to accept the bank and not the fund, it would mean literally that congress had taken authority to amend an international agreement. At Bretton Woods, Dr. Ness pointed out, the 44 meeting nations agreed that no nation should belong to the bank and not the fund.

U. S. Subscribes One Third

According to the Bretton Woods agreements, the world bank was organized to provide long-term capital loans for reconstruction and development of member nations. It was to have a capitalization of \$9,100,000,000 with the United States subscribing \$3,175,000,000. The United States was the largest contributor, followed by the United Kingdom (England, Scotland, Wales) with \$1,300,000,000 and Russia with \$1,200,000,000.

Set up under separate organization, the world monetary fund—which functions "rather like a department store," says Dr. Ness—would have created for it an \$8,800,000,000 fund for the express purpose of providing foreign currencies to tide member nations over emergencies. The fund offers short-term assistance in that—and here is where the department-store feature comes in—a nation in distress makes arrangements to buy foreign currency.

Revolving of Fund Provided

Advantages, of the short-term features of the fund, in Dr. Ness' opinion, are that if the national emergency has arisen from a crop failure, difficulties could be righted in the following year. If it has arisen from something wrong in trade processes, the country probably needs something more than a straight loan to right the situation.

Currencies paid in by a nation paying for its purchase of help are sold out again to another nation in distress at another time, so the fund revolves.

New factors in international trade that have arisen in the last 10 years make the monetary fund even more vital than any such arrangement at the end of the first World war, Dr. Ness declared. He spoke of the exchange controls, currency discriminations and discriminatory control of exchange rates, which are now in practice and which the Bretton Woods agreements prohibit and make unnecessary.

Dr. Ness 'Hopeful'

"We found out in the '30s," Ness pointed out, "that these controls are the most effective way of stopping trade."

Neither the bank nor the fund need to interfere with private investments, Ness said. Private loans and direct investments can be made outside the bank, which does not intend to compete with private enterprise. The bank will guarantee international loans, while the fund will provide currency to stay a national emergency.

Applications for assistance from the world groups will be made by specific industries and the bank will make a 1½ per cent. charge on loans.

Dr. Ness said he is very "hopeful" of the effects of the Bretton Woods agreements on future international trade and business.

He spoke at noon today at the Chamber of Commerce forum luncheon and will talk tonight at 8 in Central Library hall on Bretton Woods.