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Flaws ~~in~~ the Bretton Woods Scheme

Detected by Careful Examination of Purposes That Require Support at American Expense.

TO THE EDITOR OF THE SUN—*Sir:* Give a thing a good name and few questions will be asked. The scheme for an international monetary fund and an international bank for reconstruction and development, as ratified at Bretton Woods last summer by delegates from forty-four nations, who were sent there for the purpose of ratification only, has admirable purposes. They may be summed up as ways to promote stability of money exchange and prevent competitive depreciation; to promote international trade, expand employment and raise incomes; and to arrange loans for "urgent projects, large and small alike." In other words, to help the world avoid deflation.

Or, perhaps, is it to assist in avoiding inflation? Expanding trade, employment and wages go only with inflation, no matter what word may be used. Depreciating currencies are both a symptom of and a cause of inflation. But quibbling over that will be unpopular, just as it is unpopular—even regarded as downright unpatriotic—for any American to oppose the Bretton Woods scheme, in whole or in part. Opponents have been abused for shirking their international duties, but little has been said about what this country is going to get out of the affair, although we are to put up most of the money to make it work.

By implication, at least, the Bretton Woods scheme has been made to appear as an integral part of the peace conference, and it is urged that Congress must approve the measure to assure world peace. Yet the business can't be good politics unless it also is good economics.

The Bankers as Critics.

In spite of the pressure exerted by the Treasury, some Americans have dared to examine the Bretton Woods Plan. Looking at it purely as a monetary and economic proposition, both the American Bankers Association and the New York State Bankers Association have prepared exhaustive analyses of the scheme which have revealed serious defects in it, particularly in the section on the monetary fund. The bankers have been criticized for working only for their own interests, which, as they are Americans, and as America has become what it is because the individual American always has worked for his own interest, is constructive criticism. If we ever abandon that principle our ability to help the rest of the world will evaporate.

Americans feel the injustice of any attempt to deny them the right to differ on the meaning of the Bretton Woods scheme. It already is apparent that it means different things to different people. One of its authors, Lord Keynes, of the Bank of England, has gone before Parliament to assure Great Britain (which fears the stabilizing and deflationary influence of gold) that the scheme is the "exact opposite" of the gold standard. He thinks that under the scheme Britain will be able to "manage" its currency in a way to make it easy to undersell rivals in world markets.

Our Treasury, on the other hand, in the same breath points to the gold backing of the fund (mostly American gold) and to the fact that we won't have to put up much money—only paper, for a while at least; that every body's paper currency will be made as good as gold by the fund, and that the fund cannot lose from the currency depreciation that is amply provided for under the terms of the scheme.

Cart Before Horse.

Perhaps that theory conveniently overlooks the difficulty in making people all over the world take paper money at face value just because a banking board says they should do so. The scramble for gold in all countries where it has been available during the war casts doubt on the ultimate success of any such attempt.

It is easy to pick portions of the agreement that definitely provide for repeated currency devaluations for any and every country, but that point is not worth dulling. Time can be better employed in pointing out the lesson that the exchange value of a currency depends on a country's financial condition, on its gold supply, on the stability of its government, on its fiscal policies, on its domestic costs of production and its foreign trade. A pegged currency cannot have any but fleeting influence on those factors. We have a Bretton Wooden cart placed before the horse.

Bretton Woods is calculated to put our Treasury into complete control of our own foreign exchange operations, and of our foreign loans, which would be managed at Washington, rather than left to the sagacity of private investors and to the free flow of trade. Politics inevitably would be in the chair. Management of currency and trade not only has turned out to be a conspicuous failure in the between-wars period, but it obviously did not prevent the present war.

Agreement of Dollar and Pound.

The simple little seed out of which worldwide rehabilitation of currencies and trade can grow after the war is kept well out of sight by all the hothouse blossoms that have been strewn about the landscape. That seed is a working agreement for the only two currencies that still command respect and have any real influence in world trade—the Yankee dollar and the British pound sterling.

The British already have shown, by their special currency and trade arrangements recently concluded with France, that they can carry on. They doubtless will need help, and we are willing to give it. Once a working ratio between the dollar and the pound is arrived at, other national currencies must necessarily fall into one orbit or the other, as has been the case for half a century.

We needn't fear trade competition under those conditions. And we needn't fear that the world will go to pot if we don't help immediately in devolving a scheme whereby nations can issue any amount of their paper currency, secure all the dollars they wish, and yet feel that they are under no obligation to curtail expenditures by government and to hold down their costs of production.

Isn't it about time for nations, as well as for individuals, to learn again to walk with their legs and spare the wood supply, Bretton and otherwise?

New York. C. A. SHIVELY.