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Minority Report on the Fund

When the committee on international policy of the National Planning Association recently issued a report urging Congress to approve both Bretton Woods plans, two of its members joined in a dissenting opinion. These were Charlton Ogburn, New York lawyer, and Robert H. Patchin of W. R. Grace & Co. The former was chairman of a sub-committee on Bretton Woods. We think the minority report deserves wider publicity than it has had. In fact, the minority appears to this newspaper to have the better of the argument over the soundness of the Monetary Fund plan.

First, the minority describes the proposed Fund as "a long-term mechanism for supplying its members with the working balances of foreign exchange necessary under *normal conditions*, after wartime controls shall have been removed to meet the temporary variations in export-import balances of payments." But it is conceded that many restrictions on foreign exchange transactions cannot be removed for several years after the war. The Fund articles of agreement specifically recognize this fact and permit a continuation of war-made and certain subsequent restrictions for three to five years. The minority report concludes that "The Fund could not carry out its purposes while the present restrictions remain." But its attempt to operate while they exist "endangers the integrity and future functioning of the Fund to the point where it may not survive to carry out its real purposes."

Second, the Fund articles require an initial fixation of gold or dollar values of all member currencies, which parities the minority report says, would be "meaningless" under prevailing conditions.

Third, the minority members assert —correctly we think, but aside from the merits of the Fund plan itself—that by committing itself now to provide the Fund and International Bank with $6 billion of their initial capital, to be controlled by borrowing countries, the United States would have handed over its "bargaining power" to nations with which we should first have made "a political bargain."

Fourth, tariff policies, employment-making measures and subsidies, here and elsewhere, could seriously hamper operation of the Fund. The question arises whether or not we plan to expand our export trades through subsidies in the form of artificially high parity values of foreign currencies sustained by American dollars. "It is only common-sense first to determine our own domestic policies as to tariffs and full employment before setting up the novel experimental and complicated Monetary Fund involving 43 other nations." International commercial accords should precede the Fund.

The report restates clearly the operations of the Fund, already described by other informed critics, by which it might easily be drained of "scarce" currencies during its early years and left holding the redundant, unwanted and probably depreciating currencies. It would have little or no power to retrieve the more valuable currencies from the borrowers thereof. A quite probable resulting situation is one in which the United States would be obliged to curtail exports or "make another large contribution to the Fund."

Commenting on the argument that delay in establishing the Fund would permit trade restrictions and bilateral agreements to become embedded in foreign trade practices, the report says that such instruments are already so embedded and that some bilateral agreements have been negotiated since the Bretton Woods conference. As has been indicated above, the Fund would be helpless to remove them. The dissenting committeemen are of the opinion—and we agree—that emergency loans of the recovery period could better be made by the proposed International Bank or by our own Export-Import Bank than by the Fund. Either of these institutions could use its lending powers to promote the elimination of exchange restrictions and other obstacles to world trade more powerfully than the Fund, which would be handicapped in that effort by the *automatic right to borrow* conferred upon its members.

We think one thing about the Monetary Fund plan is clear and certain, namely, that Congress should take plenty of time to study the evidence for and against it.