

The Bretton Woods Agreement

As the delegates of 46 nations sit down for their historic conference in San Francisco to establish a world peace organization, it is in order to consider, within the space available here, the cardinal aspects of the so-called Bretton Woods agreement which proposes to set up an international monetary fund and a world bank.

The agreement is of importance because it will undoubtedly be touched upon by the San Francisco delegates when they take up their discussions of the economic aspects of the problem of promoting and maintaining peace.

Last July at Bretton Woods, N. H., the representatives of forty-four nations, after much debate, pro and con, finally reached the famous agreement of the name with the avowed purpose of providing a basis for postwar economic peace, by proposing two funds: one to promote industrial development in the world and the other to keep the international monetary system in gear.

The Morning News will not attempt at this time to argue whether or not the Bretton Woods plan is a wise one, especially in view of the conflict of opinion which has arisen over its merits among responsible individuals and groups in America. We are willing to say, however, that, in principle, its provisions, if carried out with efficiency, wisdom and honesty, might serve to establish and maintain world-wide economic stability to some degree.

What does the Bretton Woods agreement embody?

We shall strive to answer as briefly and concisely as possible. In a nutshell it provides for a "fund" and a "bank."

The "fund" would be designed, among other things, to "facilitate the expansion of international trade, and contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy." It also would be designed to "promote exchange stability" and "maintain orderly exchange arrangements among members to avoid competitive exchange depreciation."

The total amount of the "fund" would be \$2,750,000,000—of which the United States would be expected to subscribe \$2,750,000,000.

The world "bank" would "assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peace-time needs and the encouragement of the development of productive facilities and resources in less developed countries."

The authorized capital of the "bank" would be \$10,000,000,000, of which the United States would be expected to contribute \$3,175,000,000.

Some American bankers, while approving the general idea, in principle, argue that the "fund" and the "bank" by all means should be divorced, and that, above all, safeguards against the abuse of the borrowing privilege should be more vigorously incorporated in the plan than is the case in the Bretton Woods project. On the other hand, prominent individual economists hold that "economic warfare" is what primarily leads "to both military and political warfare" and that such a "fund" and "bank" would be worth even the risks on our part if it would make more equitable trade and commerce among the nations of the world.

It is a big problem and a complex one and necessarily ought to be worked out by our ablest banking and economic brains so that if it is finally established it will be as nearly foolproof and abuse-proof as possible.