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It is not the desire to become famous but the habit of being laborious that enables us to produce a finished work.—MARCEL PROUST.

NEW FACTORS IN THE BRETTON WOODS CONTROVERSY

Opportunity for Rapprochement

Undersecretary of the Treasury Daniel W. Bell said last week in Washington that suggestions of the Committee on the Bretton Woods Agreements are worthy of consideration.

Mr. Bell did not suggest compromise in so many words. But members of the House Banking and Currency Committee did after hearing of his remarks.

We respectfully suggest to the policy-makers of the American Bankers Association that they grasp any opportunity to get together with the Treasury which may offer itself.

There have been changes in the character of the Administration at Washington.

It may be pointedly asked whether the bankers of America want to begin their relations with President Harry S. Truman on the basis of old quarrels with Franklin Roosevelt.

Perhaps President Truman feels the same way.

He understands, equally with any banker, the vital need that old animosities be healed that the problems of final victory and fruitful peace may be attacked and solved in a spirit of national amity and good will.

President Truman made it clear last week that he is for the entire Bretton Woods plan—Fund and Bank.

The bankers of America have made it clear that they are in complete agreement with the Treasury on the Bretton Woods objectives.

The bankers' opposition has been to "methods" rather than "purposes."

They avoided the temptation to be bitterly personal and conduct their opposition as a banker-Government brawl.

Limiting their condemnation of the Fund's "automatic credit" and independent status, etc., to a presentation on its academic merits, they obviously left the door open to consultation and even compromise with the Treasury.

May it not be assumed now that both the Fund and the Bank will be much different with American interests therein managed to suit a Truman rather than a Roosevelt?

Perhaps now we can safely let the Fund stand.

We suggest a complete reappraisal of the A. B. A.'s criticisms from this point of view.

Undersecretary Bell seemed to indicate that the Treasury was willing to listen to modifications or reservations in the constitution of the Fund plan sooner or later.

He mentioned specifically the CED suggestion that both the Fund and Bank be enacted but that the Bank should be the source of stabilization loans, rather than allow the resources of the Fund to be drawn upon for such credits, but he still evidenced the desire of the Treasury to see the Fund plan enacted, which is understandable.

Objectives of the CED recommendations are to improve the Fund's chances of success by imposing upon it a policy which would prevent it from ending up frozen, its supply of strong currencies exhausted or rationed and its funds tied up in a mess of weaker currencies for which there is no comparable immediate demand in foreign trade.

This is pretty close to the objections raised by the American Bankers Association—Reserve City Bankers Association—Bankers Association for Foreign Trade joint committee report condemning the Fund.

Treasury willingness to permit the public, including members of Congress, to understand that it regards the CED reservations as proposals of "a forward looking group of very distinguished businessmen" and "worthy of very careful consideration" (Mr. Bell's words), seems to invite reciprocal willingness on the part of critics of the Fund.

We do not believe that U. S. bankers are unwilling to explore the possibilities of compromise.

Particularly important, it seems to us, is the wisdom of permitting the United States Treasury to lift up its head as a leader in world banking and exchange in the eyes of the other nations of the world.

The suggestion in Mr. Bell's speech is a gesture which seems broad enough to allow the bankers and CED critics "to save face."

It is equally important that the critics recognize the value of according to the Treasury, the means to "save its face" as a leader in world fiscal reconstruction.

There will be many phases of modification as international co-operation in world trade and exchange progresses in the after-war years.

We will need immensely to have the world put faith in our national leadership.

We may want, at some times, to exercise the iron hand of credit restraint or sanctions; but unless we are to be the economic Nazis of tomorrow, we will need always to wear a velvet glove and have our concepts sympathetically supported, and collaborated in by other powers, and the Fund and Bank in combination seem, in our opinion, to furnish the velvet glove as well as the machinery of world fiscal co-operation which we need.

We hardly believe that the bankers of America want the eyes of the world upon them as the final dictators of the conditions of world credits and of other nations' finances and budgets, as would be the case were there no Fund or Bank, or simply a Bank, domiciled in New York, directing international loans according to our concepts of credit, however good those concepts may be.

We think that the bankers committees' criticism has served a great purpose, in the absence of organized banking representation at Bretton Woods.

That may have been a mistake; but, if it was, it was not the act of the new President.

But even this omission at Bretton Woods may be excused or seen to be reasonable, if its intention was to protect the Treasury from world reaction to the U. S. proposals as a "bankers' plan."

Better still, the omission of organized banking at Bretton Woods also may yet be capitalized upon to the degree that it relieves U. S. banking of any onus of blame for the hurt some nations may feel when the restraints written into the Bretton Woods proposals are applied to them.

Or to the degree that it makes it possible for them to come in later with practical aid in setting up and guiding the new machinery of world currency exchange.

The banker criticism has served to set up danger signs to guide the prospective administration of the World Fund and Bank.

It has put the Federal Administration on notice, and the men who will direct Governmental international exchange collaboration, in whatever form it takes, that there are dangerous pitfalls.

If the World Fund had been created without the benefit of these criticisms, the bankers of this country could not have excused their silence; might have been suspect of welcoming it with a selfish interest in watching its failure.

Fortunately, their criticisms have served even more creatively as evidenced by the willingness of a responsible Treasury spokesman to regard the basis of their distrust in the workability of the Fund as "worthy of very careful consideration."

We believe there is merit in all of the criticisms which the joint Bankers' Committee have voiced, particularly their disfavor for the two-headed aspect of the Fund-Bank concept, with each possibly getting in the other's way.

That is a situation which, it seems, will have to be cured sooner or later, if the Fund and Bank are created as separate institutions, as the Treasury desires and as representatives of the 44 Nations at Bretton Woods finally agreed to.

Potentially, as we see it, the Bank, with its power to un-freeze the Fund by long-term loans, would become the ultimate policy-making body for both; much as veto power of the Federal Reserve Board over the rediscount rate of the 12 Reserve Banks finally devolved upon the Board the necessity for initiating the discount rates in the first place.

But frankly, we would like to see the Treasury willing to compromise somewhat on this:

Our suggestion is that there could be an interlocking directorate arrangement in which members of the governing bodies of both the Fund and the Bank rotate in serving both Bank and Fund at the same time and that through this interlocking arrangement all actions of both Fund and Bank be cleared and coordinated.

If something like this is a good and necessary thing, it will come about sooner or later whether the Treasury sees fit to approve the idea now, or not.

However, if the Treasury could find it within its concept of international collaboration, to indicate its willingness to accept and work for some plan of effective unification of policy and operations of Fund and Bank, it would feed mightily the spirit of good will and co-operation that we believe should and can exist between the Truman Administration and the bankers.

The indication by Undersecretary Bell of a willingness to see merit in some criticisms of the Bretton Woods proposals come from the Treasury and may be welcomed as a generous gesture.

The differences between bankers and the Administration could be permitted to fester into a running sore, which would be harmful to U. S. banker-Government relations for years to come.

The bankers, by all-out, uncompromising criticism of the proposed International Monetary Fund's weakness, conceivably might whip the Truman Administration in this first test of their relations with the new President.

As we asked in these columns Saturday: We wonder whether the banker opposition to the Monetary Fund will be permitted to constitute a rift in the development of harmony between the Truman Administration and the bankers?

If Undersecretary Bell's remarks were made in a test of the spirit of compromise—which we admit is yet to be confirmed by some indication, official or unofficial, from the White House and the Treasury—then we suggest that exercise of an equal spirit of give and take by banking officialdom may be the golden opportunity.

On the banking side it will be an opportunity also to seek unity in their own ranks and get together with those elements who favor the entire Bretton Woods plan, i.e. the Pennsylvania Bankers Association leadership; the 11 top Philadelphia bankers who recently vigorously endorsed both Fund and Bank plans; the vast array of friends of Edward Eagle Brown of Chicago's First National Bank, who labored mightily and sincerely at Bretton Woods to effect certain safeguards that were written into the plan, and whose friends have doubted from the start the good of fighting and perhaps killing the Bretton Woods agreements and their promise of some sort of world fiscal collaboration; and finally, last but not least, the small town bankers of America as represented by the Independent Bankers Association.

Bankers need not be the whipping boy of the Truman Administration, nor need the Administration be the personal devil of the bankers of America.

The conditions of 1932–1933 are happily not the conditions of today; they had practically ceased to exist even in 1940, although neither Wall Street nor the White House could seemingly afford to be the first to admit it and declare that new problems called for a new relationship.

Wherefore, we counsel in great humility, knowing that we are but one small voice, that, if Undersecretary Bell's address opens even a very narrow avenue to get together on Bretton Woods, the opportunity should be siezed upon graciously by the responsible leaders of American banking and explored exhaustively.

The larger purpose behind all our thinking today, Peace and an end to the slaughter and sacrifice of the peoples of the world and our sons upon the altar of nationalistic wars, at any price that we can pay as a liberty loving people, will permit no less.

* * *

We should be interested in the reaction of our readers to the thoughts set forth above. Your letters, in confidence or for publication will be most gratefully received.

It may be of interest to you to know that what we have written has been upon our own responsibility and conscience as the trusted friend of our perhaps 6,000, or more, readers. It is entirely our own, based upon our independent analysis of the old and new factors as we see them. It has not been inspired by either Treasury or interested bankers. We hope only that what we have suggested may find a majority of approval from both banking and Treasury. We think it can and will.

WHAT IS YOUR ANSWER?

1. ORAL ORDER: Depositor A, out-of-town, calls up his bank by long-distance. "B wants $100 I owe him, in a hurry," he tells the bank. "Please let him have it and charge it to the account." The bank does so, then A reneges, and sues to get the money back. Can he do it?

2. LACK OF RECORD: "Here's a check for $300 I just got," says a customer. "Please let me have $150 in cash and credit the rest." The bank accommodates, but the customer claims a $150 shortage in his statement of balance. Can he recover?

ANSWER

1. No, if the bank can prove that the conversation occurred. The law follows the line that an oral contract holds if provable. Pennsylvania Co. for Insurance on Lives and Granting Annuities v. Philadelphia Electric Co. (1938) 331 Pa. 125, 200 Atl. 18: ". . . While a bank, by virtue of the implied contract arising from the usage of banking, is entitled to demand that an order of a customer to transfer a deposit or pay out funds be in writing, nevertheless it may, if it so desires, waive its right in that respect. It may legally make such payment or transfer on an oral order, the chief advantage of a written order being for evidential purposes."

2. Yes, according to an Oklahoma case, if the bank, having paid out cash without requiring deposit of the full amount of the check and a written order for the money, did not require the customer to receipt for the payment. Peoples National Bank of Kingfisher v. Rickords (1922) 85 Okla. 9, Pac. 130. The court instructed the jury that the bank had the burden of proving payment of the cash, and the jury found for the customer. If full deposit is not required, have the customer acknowledge cash payment on the back of the check.