

THE WEEK IN FINANCE

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Mr. Fraser on Bretton Woods—

[Despite much seeming evidence to the contrary the problems involved in the Bretton Woods program are not simple. In fact, not more than a small handful of persons in the United States can be said to qualify as genuine authorities on the subject by the tests of scholarship and practical experience. Outstanding among such persons was the late Leon Fraser. Possessor of a brilliant mind, Mr. Fraser was an internationalist in the best sense of the term, both by inclination and by virtue of what amounted to a career in that domain. He capped a decade of experience in world diplomacy and finance as vice-president and later president of the Bank for International Settlements, at Basle, the regular monthly meeting place of the best banking minds of the world. On March 22, only about a fortnight before his death, he appeared before the House Committee on Banking and Currency, where he made a short, informal statement on the Bretton Woods proposals and then spent the remainder of an entire day's session answering the questions of committee members.

Because of the outstanding importance of Mr. Fraser's testimony it is proposed to present the substance of the 140-page transcript in this and succeeding columns.]

Mr. Fraser: Mr. Chairman, I do not have much of a statement to make, because I was hopeful, sir, that perhaps there might be some questions and discussion. I believe that the aims of every one in this room are the same—namely, that we wish to attain the ends which are stipulated in the Bretton Woods proposals and that the question is how we can best reach those ends.

I am interested in the proposed laws which are before you; and I speak, if you will permit me to say so, as a lifelong and confirmed internationalist. I have been almost a professional for many years.

These proposals obviously are of great import to the United States, not merely because \$6,000,000,000 are involved, but because we want whatever is put forward to succeed.

As to the bank, it is built on constructive financial principles. Its aim is to help those countries which need help for reconstruction, for rehabilitation, and whose resources are inadequate for such long-term purposes.

There are excellent safeguards in making the proposed loans. That is, a committee makes a careful report, it looks into the project, it expresses the opinion that it is practicable that the loan can be repaid, that the money advanced will be used for the purposes for which it is advanced and the United States of America has something to say about whether a loan shall be floated in this market.

When you turn to the fund you get into a rather confused position and certainly one in which the reasonable and proper businesslike safeguards of the bank do not exist.

The Monetary Fund

The fund apparently means different things in different countries. In this country we are told it is primarily to assist in the relative stabilization of the exchanges, and I heartily approve of that objective. But if that is the purpose I submit that a much better way of achieving that purpose could be found, and a simpler one. To put it shortly, that would be to create, in the new bank, a monetary department and have in that monetary department all those elements relating to stabilization; that is, consultation before a parity is changed, exchange of statistical monetary information, agreements not to engage in monetary warfare and things of that character. Instead of having two institutions I believe the one would work better.

If you have two institutions, you know just as well as I know that there is going to be overlapping, there is going to be conflict. Each institution is going to be ambitious to secure certain information

which will be duplicating what the other fellow is doing . . . and there is going to be trouble. If you can get one well organized institution well manned, with two divisions—the long-term division and the stabilization division—you will have a practical approach.

We are told that it will be difficult to change this agreement. Naturally, that is a matter of opinion. Permit me, as having attended every international conference from 1924 to 1936, which related to financial monetary matters, to say that that difficulty is, in my judgment, greatly exaggerated.

The Bogy of "Chaos"

We have international conferences every twenty minutes. Perhaps we might have another if it is necessary. But I believe that if, as the principal creditor nation, the people who are going to underwrite and effect these plans in the first instance, we put forward any reasonable changes, there will be no difficulty in securing the adherence of the other countries.

The alternative to Bretton Woods, as written, is not, as we are so often told, chaos; it is a simpler, a more workable and more acceptable plan.

What is it that I at least see that is faulty in the present set-up? There are a number of things.

In the first place this is an approach to the problem of stabilization of currencies on a worldwide, global basis and it is spoken of as if it were a general problem by which everybody would be affected. The truth is that the stabilization problem arises in a given country, at a given time, over a given set of difficulties, and those difficulties in one country are almost always different from what they are in another country. There is not, at least at this stage of the game, any such thing as a general stabilization problem. I believe that you should approach each problem as it arises, starting, for example, with the great and primordial question of the British pound.