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The Non-Loan Fiction

Let me emphasize that the important thing to do now and to do as quickly as we can, is to set up machinery by which people can consult, can discuss these questions, can decide what is necessary and as the last step and not the first, decide how much credit is needed, how that credit if granted is going to be repaid and for what purpose it is going to be used.

The curiosity in the monetary fund is that there is a huge pool of money out of which persons may draw, not automatically, but who are entitled to draw, under certain conditions which are extremely elastic and to which there are great exceptions, and they make no promise to pay back this sum. We are told that, by a happy fiction, they do not borrow anything; that they purchase some other kind of exchange with their own exchange. They put in lei, lits, lats, and rubles, and they take out dollars. We are entitled to use the lei, the lits, the lats, and the rubles. We are told that there is only a service charge, when, of course, the ordinary man would say that such modest charges as they are, are interest charges.

This is very important. It is in the bank, but it is not in the fund. Unless you have it in a stabilization scheme I do not believe your stabilization scheme will work. There is no condition in the plan which says that the country itself shall take the necessary steps, whatever they may be (and they are different in each case), which are necessary to make stabilization effective.

Fundamentally, monetary trouble is a symptom of an underlying disease, and it cannot be cured without removing the cause. The value of credit in such situations is limited to two functions. First, it gives you time to put into effect the reforms you agree upon; second, it gives the outside world assurance that you have a kind of protective mask over you during this period.

(To be continued next week)