HEARINGS ON BRETTON WOODS ENABLING LEGISLATION
BEFORE HOUSE BANKING AND CURRENCY COMMITTEE
March 22, 1945 - 10:30 A.M.
(Twelfth day of hearings)

Mr. Leon Fraser, President of the First National Bank of New York, began by making a statement in favor of the Bank and opposing the Fund and recommending that the stabilization job be done by a monetary department set up in the Bank. His chief objections to the Fund plan were that it does not include reasonable safeguards over the use of the funds, that it is too big, that it is interpreted differently here and in England, that two institutions would overlap and conflict, that there are not enough competent men to run two institutions, that the problem of stabilization is not world wide but arises in particular countries at particular times, and that the primary means of stabilizing a currency is by taking the necessary internal measures. He also said there was no provision in the Fund plan to require the necessary internal measures, that the Fund permits too much in the way of exchange restrictions over capital and scarce currency transactions, that most countries simply accepted the Agreements because American and British experts agreed on them and that they would be quite willing to accept reasonable changes.

He went on to say the plan "breathes the spirit of true British patriotism" and that Lord Keynes has said he wanted a plan which provided for fluctuating currencies, impersonal borrowing, and loans to Britain's customers. The Russians, furthermore, will maintain their exchange controls and unbalance their trade on purpose.

In connection with the Fund's lending methods Mr. Fraser stressed the waiver provision and the looseness of the restrictions. In his opinion the Bank should provide for consultation and exchange of information on monetary matters and all members should promise to avoid monetary warfare. The Bank would make stabilization loans only after careful investigation and with a United States veto over the use of dollars. The Bank could lend for seasonal purposes and in emergencies. He said he thought the Bank's capital would be adequate for both jobs but could be enlarged later if necessary. The Bank would insist when making a stabilization loan to a particular country that it take wise corrective measures. Mr. Fraser said the plan should not be too detailed and inflexibile and should not attempt to write a blueprint to cover all future possibilities. Mr. Fraser said he thought the dollars would soon be exhausted from the present Fund and we would either have to put in more or be held morally responsible for the breakdown.

Mr. Fraser suggested it was very important to have a committee here in the United States with which the American representatives could consult before taking certain actions and to whom they would report.

Mr. Fraser agreed with Representative Wolcott (R. Mich.) that there were no affiliations between the Fund and Bank in the present plans except that membership in the Fund is aprerequisite for membership in the Bank and the Fund provides for cooperation with other agencies.

Representative Brown (D. Ga.) asked why Lord Keynes signed the Agreements and Mr. Fraser said the Fund was obviously a good thing for the United Kingdom and that Lord Keynes had said it was the opposite of the gold standard. Mr. Fraser said he did not think the opponents of the bill all got their ammunition from Lord Keynes as Representative Brown suggested. He said he did not think the American delegates should have signed because the Fund is too loose and would only postpone stabilization. When Representative Brown asked if Mr. Fraser agreed with the Committee for Economic Development statement that the Fund is vital Mr. Fraser said no but the principles of the Fund were vital. He could not say whether the Bank allowed stabilization loans as Representative Brown said the Committee for Economic Development report suggests but he thought the Bank would not need more than 2 billion dollars to make stabilization loans. In answer to further questions by Representative Brown he said he thought that amount would last practically forever and very little of it would be used but that the Fund would not last because it was too loose. Representative Brown asked if Mr. Fraser's main objection was that the United States had no veto and Mr. Fraser said no. When Representative Brown asked how he would tighten the Fund he said by requiring a country to take the necessary internal measures.

Representative Brown then suggested that even if the United States contribution to the Fund were lost the Fund might be valuable to the United States by creating markets. Mr. Fraser replied that if we wanted to subsidize our exports we should do so openly and then said there would be a tremendous demand for United States goods in any case. When Representative Brown asked if our trade was not dependent on stable currencies Mr. Fraser said we exported a good deal before the war when currencies were unstable and simply made our contracts in dollars and that the Fund plan was for unstable currencies. He mentioned statements that the United Kingdom would be able to go ahead and change its rate in spite of the objection of the Fund.

Representative Brown asked if many foreign countries were in a position to buy from us now and Mr. Fraser mentioned the Latin American countries, the neutrals, Holland, France, and Belgium and said many of them were much better off than ten years ago and the difficulties they had could be handled by long-term loans, relief, and extension of Lend-Lease after the war.

Representative Barry (D. N.Y.) asked if our exports had not doubled from 1929-1938 when currencies were unstable and Germany and Russia were using all sorts of measures to compete with us and Mr. Fraser agreed.

Representative Crawford (R. Mich.) then quoted Chairman Eccles as saying foreign countries had 23½ billions of gold and dollars. He went on to say that France needed goods not money and that it was primarily the United Kingdom which needed money. Mr. Fraser commented that the two were closely related. Representative Crawford then asked if our Lend-Lease policy had not enabled foreign countries to accumulate gold and dollars and Mr. Fraser agreed. When Representative Crawford asked which of our agricultural exports would be stimulated under the Fund plan Mr. Fraser said it would be manufactures first and that the resulting expansion of our exports would in any case be temporary. Representative Crawford said if we were going to subsidize exports we should make it clear.

Representative Crawford then asked if foreign countries could control our exports and imports under the Fund plan and Mr. Fraser said only when the dollar was declared scarce and mentioned that perhaps foreign countries would have to take defensive measures with or without the Fund but that we should not sign an agreement in advance permitting them to do so. When Representative Crawford outlined the functions of the Fund, Bank, and Export-Import Bank as described by Mr. White, Mr. Fraser said private institutions would probably finance trade in the usual way and that the theory was the Fund should be used only in emergencies. Representative Crawford said he understood the Fund was not intended to operate for five years and Mr. Fraser commented that it was inconsistent to say the Fund should not be used in the transition period and then say it should be set up at once. Representative Crawford read at length from the Committee for Economic Development report and asked Mr. Fraser what he thought of it. Mr. Fraser said it resembled his idea but seemed to imply a large Fund would be needed which he did not believe was true.