HEARINGS ON BRETTON WOODS ENABLING LEGISLATION
BEFORE HOUSE BANKING AND CURRENCY COMMITTEE
May 9, 1945
(Twenty-sixth day of hearings)

Mr. John J. Rowe, President of the Fifth Third Union Trust Company in Cincinnati, testified on behalf of the Finance Department Committee of the Chamber of Commerce of the United States. He read a prepared statement in which he indicated that the U.S. Chamber of Commerce was in accord with the objectives of the Bretton Woods Conference. The recommendations of the statement were approved by the Board of Directors of the Chamber as being in accord with its declared policies. The recommendations embody the following points: (1) the United States should participate in the International Bank; (2) the Board of Governors of the Bank should study the question of monetary stabilization and submit recommendations concerning (a) the broadening of its powers to make stabilization loans, or (b) the establishment of the Fund, or (c) the setting up of "some other mechanism," presumably for the extension of stabilization loans; (3) in the meantime, the Bank should assume "stabilization activities, including agreements and loans"; (4) Congress should defer action on our participation in the Fund until the Board of Governors of the Bank submits recommendations with regard to the stabilization of exchanges. Mr. Rowe praised the Bank Agreement because the policies of the Bank would be directed toward the support of rather than encroachment upon private enterprise, and urged the establishment of the Bank as soon as possible. He said, that under the Articles of Agreement the Bank has adequate authority to make stabilization loans. He based the recommendation with respect to the Fund on the following contentions: (1) the prevailing differences of interpretation of the provisions concerning changes in exchange rates, too easy access to the resources of the Fund, and that exchange controls and bilateral agreements may be maintained; (2) the recognition that "little would be expected of the Fund during a transition period of from three to five years"; and (3) the desirability of awaiting necessary adjustments in domestic and international policies of foreign countries before granting credits which may be regarded as practically automatic.

Mr. Rowe stated that ultimately, in his opinion, the reestablishment of an international gold standard was imperative, but he recognized that the opposition of Great Britain and other practical considerations made the early attainment of this goal impossible. As long as conditions existed which would make the operation of the gold standard impossible it would be idle to expect the Fund mechanism to provide stability of currencies. Stability of exchanges could be achieved through loans by the Bank. The Bank would be in a position to appraise the credit status of nations applying for loans, and loans would be made under adequate safeguards. These safeguards are lacking under the Fund Agreement.

Mr. Rowe then discussed the reservations made by some delegations at the Bretton Woods Conference and concluded that this country was in no way bound by the Articles of Agreement and could therefore make any changes it desired without antagonizing other countries. Other countries would do the same.

Chairman Spence (D. Ky.) questioned the witness extensively about the chances for the reestablishment of the gold standard. Mr. Roe explained that the return to gold would take a long time but that it did not matter because countries will need primarily long-term credit for reconstruction which they could get from the Bank. The first step toward the reestablishment of the gold standard would be the reestablishment of confidence in foreign governments. Questioned by the Chairman whether he thought we should have a right to dictate the internal economic and political structure of foreign countries, Mr. Rowe said that we would have to obtain assurances as to the continuity of a given regime.

Representative Wolcott (R. Mich.) asked whether the witness would like to see the Fund's authority confined to the financing of current transactions. Mr. Rowe replied that loans from the Fund would not lead to the stabilization of currencies because currency stabilization is the result of the reestablishment of healthy economies which could be aided through long-term credits.

The interrogation by Representative Crawford (R. Mich.) brought out that the witness and the Congressman agreed that stabilization loans by the Fund would be premature because for their success it would be necessary to study the world situation for "some months and probably some years" and then determine appropriate exchange rates which could be maintained.

In reply to questions by Representative Brown (D. Ga.) Mr. Rowe said that the C.E.D. recommendations were too vague and that he could not agree with them except with their alternative proposal to postpone the operations of the Fund.

Representative Barry (D. N.Y.) asked the witness why we should doubt Russia's ability to repay loans of the Fund even if they were used for investment purposes since Russia's gold holdings were large and her national resources greater than ours. Mr. Rowe replied that the Bank had the right to investigate the purpose of its loans but that the Fund could not do so. He called the Fund transactions vague and experimental. To that Mr. Barry remarked that we are living in extraordinary times in which things must be done very quickly. He declared that he is undecided as to whether to vote for or against the Fund, but that he was opposed to delaying action.

In the course of questioning the witness Representative Monroney (D. Okla.) remarked that his proposals were in essence a repetition of the procedure followed after the last war when it took seven years to reestablish our international monetary system based on gold. This time with the volume of destruction many times greater, it would take much longer, if it could ever be achieved.

Board of Governors
of the Federal Reserve System
Division of Research and Statistics
May 10, 1945