Poll of Economists on the Recommendations of the Economists' Committee on the Bretton Woods Program

Excerpt of letter sent to Senator Robert F. Wagner and Congressman Brent Spence, Chairmen, respectively, of the Banking and Currency Committee of the Senate and of the House, by Seymour E. Harris

ECONOMISTS' COMMITTEE ON
THE BRETTON WOODS PROGRAM

February 12, 1945

Dear Sir:

I submit herewith a statement of 224 economists in support of the Bretton Woods program. This statement is sponsored by 33 economists listed on the attached sheet and is signed by those whose names will be sent to you later. This statement was also submitted to all living ex-presidents of the American Economic Association, nearly all of whom replied. Of the 18 who replied, 16 approved the statement and only 2 disapproved.

It may interest you to know that substantially more than one half of the economists who were polled -- all economists listed by the American Economic Association as primarily interested in international economic relations and three related fields -- replied to this poll. Approximately 90 per cent of those who replied approved and 10 per cent disapproved.

HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING AND CURRENCY
WASHINGTON

26 February 1945

Dear Professor Harris:

I was very much interested in your poll of economists to secure their views on the Bretton Woods program. The results shown have made a good impression.

Some criticisms have been made of the poll on the grounds that it does not represent an unbiased sample. The explanation of procedure in your original letter more than satisfied me on that score. Nevertheless, the House Committee on Banking and Currency would very much appreciate it if instead of relying on 450 economists specializing in international trade and three related fields, you would poll <u>all</u> economists who are members of the American Economic Association.

I hope your committee can let us have the results before our hearings end.

Sincerely yours,

Brent Spence

Chairman

In accordance with the wishes expressed by Congressman Spence in the letter reproduced above, we are polling all members of the American Economic Association. Note, however, that this poll is taken by the Economists' Committee on the Bretton Woods Program and **not** by the American Economic Association.

Whether or not you have already been polled, we would appreciate it very much if you would sign the enclosed card and return it to us **within a few days** of receipt.

The following statement is sponsored by: Professor Angell (Columbia), Professor Black (Harvard), Professor Clark (Columbia), Professor Condliffe (California), Professor De Haas (Harvard), Professor Ellis (California), Professor Ellsworth (Wisconsin), Dr. Galbraith (*Fortune*), President Gideonse (Brooklyn), Professor Graham (Princeton), Dean Griffin (Michigan), Professor Haber (Michigan), Professor Haberler (Harvard), Professor Harris (Harvard), Dr. Hart (Committee for Economic Development), Dean Hoover (Duke), Professor Knight (Chicago), Professor Leontief (Harvard), Professor Machlup (Buffalo), Professor Mason (Harvard), Professor Mitchell (Columbia), Professor Newcomer (Vassar), Professor O'Leary (Cornell), Dean Preston (Washington), Professor Riefler (Princeton), Professor Simons (Chicago), Professor Smithies (Michigan), Professor Snavely (Virginia), Professor Sprague (Harvard), Professor Viner (Chicago), Professor Whittlesey (Pennsylvania), Professor Wilcox (Swarthmore), Professor Woosley (North Carolina).

(Six of these thirty-three sponsors hold wartime jobs with the Government, and four are consultants for Government agencies in addition to holding full-time teaching positions.)

RECOMMENDATIONS OF ECONOMISTS FOR UNITED STATES APPROVAL OF THE BRETTON WOODS MONETARY AGREEMENTS

We, the undersigned economists, urge the Congress to accept the "Bretton Woods" agreements providing for an International Monetary Fund and International Bank for Reconstruction and Development. Our main reasons follow:

1. If expanding international trade is to make its much needed contribution to the prosperity of the United States and of the world, exchange relations between currencies must be established on a stable and orderly basis and there must be a steady flow of international investment to increase the productive efficiency of the countries of the world. Action is, of course, required in other no less important fields such as trade barriers and commodities in world surplus. Although the Monetary Fund and the International Bank do not furnish a complete solution to the international economic problems, they will contribute substantially towards solving the exchange and investment problems.

2. The experience of the interwar period has demonstrated that neither the operation of the international gold standard nor the independent action of national governments will achieve workable exchange arrangements. The nineteenth century gold standard is too inflexible to allow countries the independence of domestic action which they now demand; and the policy, so widely followed in the thirties, of disregarding international considerations in order to achieve freedom of action in the domestic sphere only served to contract international trade and, in the end, to make every country poorer.

3. In the field of investment, the last twenty-five years have shown the need for international action. While international investment did reach a substantial volume during the twenties, the investment was in many cases ill-advised; rates of interest were high and many countries resorted to borrowing in order to balance their international accounts without increasing their productive capacity. The collapse of the thirties brought repudiation, deflation or depreciation; and many borrowers and lenders resolved to eschew the dubious benefits of international investment in the future. Conditions of foreign lending must be substantially improved if international investment is again to make its indispensable contribution to the prosperity of the world economy on which, to a large degree, our own welfare depends.

4. The proposed Monetary Fund provides a program for avoiding competitive currency depreciation, the arbitrary and discriminatory control of foreign exchange available to pay for current imports, the "freezing" of funds due for current transactions, and related forms of economic warfare. This is in line with the funda-

mental United States trade policy of free enterprise with a minimum of administrative interference, discrimination, bilateralism, and international "barter." The Bretton Woods agreements are essential to keep the door open for later application of this fundamental policy through international negotiations dealing with tariff discriminations, "administrative protection," import quotas, cartels, raw material controls, etc. The clauses in the Bretton Woods agreements which permit limited devaluation, continued control of capital movements, "rationing" in emergencies of particular currencies officially declared to be scarce, and a gradual removal rather than abrupt termination of wartime currency and exchange controls are necessary modifications for reaching the fundamental objectives.

5. The proposed Bank for Reconstruction and Development aims at increasing security of international lending, not merely through the Bank's guarantee, but by making the government of the borrowing country directly responsible to the Bank. Since the Bank rather than any particular government is made the direct representative of creditors, the debtor country's government can be called upon to take responsibility without loss of dignity or risk of conflict.

6. Under the Monetary Fund, barring outright repudiation of debts by some debtor government, the risk of financial loss is very small. Under the Bank agreement, loans are to be safeguarded not only by the scrutiny of the Bank but by authorizing each government to prevent its currency from being lent if it thinks the transaction dangerous; and under the guarantee, all losses are to be shared among all member countries in proportion to their subscriptions. The advantages of the agreements far outweigh the financial risk incurred by the United States.

7. The good will acquired by accepting the agreements, supported by the influence which the United States can legitimately exert through its large voting power in the Fund and the Bank, will be of great advantage in the settlement of other international issues.

8. Bretton Woods represents the first attempt of the United Nations to reach agreement on vital economic issues. The present drafts could undoubtedly be improved as regards details. But in view of the fact that over forty governments are involved and in view of the complexity of the problem, the extensive concessions made by others to the United States at Bretton Woods, and the ill will we would incur by insisting on reservations, it is very doubtful whether another agreement could be reached at all or, if reached, whether in the end it would be a better one. If the present proposals were not ratified by the leading countries of the world, the outlook for genuine international collaboration in the economic field and even for world peace would be indeed gloomy. It is therefore a matter of urgent necessity that full support be given to the agreements by all United Nations.