IMPLICATIONS OF CURRENT INTERNATIONAL MONETARY PLANS

by

Karl R. Bopp

before

The Financial Analysts

Wednesday, May 10, 1944

IMPLICATIONS OF CURRENT INTERNATIONAL MONETARY PLANS

The nature of the problem

A. Pre-war gold standard

- How international equilibrium was maintained

B. Dislocations during the war and post-war period

1. France from 19.3 cents to 2.5 cents (July 1926)
2. Germany from 23.8 to .02 per billion
3. United Kingdom from 4.87 to 3.44 (Nov. 1920)

C. Restorations

1. England - Treasury Committee appointed
   June 10, 1924 (£1 equals 4.32)

   a. Bull speculation
   b. The case of coal

In Brazil - June 1925

		British equiv.	
British coal	U. S. coal	at 4.32	at 4.78
39 shillings	$8.85	8.42	9.50

2. France

   a. No question of restoring pre-war par
   b. Bear speculation
   c. Purchasing power parity
      End of 1926 - $.045
   d. Stabilization rate - $.039

3. Conclusion

D. Defense of restored parities

1. Tariffs
2. Quotas
3. Bilateral agreements

II. Why not restore at correct level?

A. Impossibility of ascertaining

1. Sterling in 1925

a. Treasury Committee - 1½%
b. Cassel - 6%
c. Keynes - 10%

2. What price index to use

a. Prices of international commodities in adjustment
b. Wholesale prices
c. Retail prices

3. What do price indexes mean today?

a. Price controls
b. Rationing

B. Transition versus the long run

C. Necessity for flexibility in exchange rates

II. The international monetary fund

A. Agreement of technical experts

B. Purposes and policies

C. Subscription to the fund - $8 billion quota

- U. S. share $2½-$2 3/4 billion

Gold subscription equals ¼ or 10 per cent of gold holdings.

D. Transactions with the fund

E. Par value of member currencies

1. As agreed with the fund when admitted to membership

2. Expressed in terms of gold

3. No change by fund without country's approval

4. Members not to propose change except when in fundamental disequilibrium

5. Must have approval of fund except for first 10 per cent

"In considering a requested change, the fund shall take into consideration the extreme uncertainties prevailing at the time the parities of the currencies of the member countries were initially agreed upon.

6. Possible uniform change - if every member country having 10 per cent of aggregate quotas approves

F. Capital transactions

Fund to be used only to a reasonable amount

G. Apportionment of scarce currencies

1. Fund to propose equitable method of apportioning scarce currency

2. Fund to issue report on causes and recommendations

H. Management

1. Governed by board and an executive committee including representatives of the five countries with the largest quotas

2. Voting power closely related to quotas

3. Majority vote except

   a. 4/5's vote to change quotas, and
   b. uniform change in gold value of member currencies

I. Withdrawal

1. By giving notice in writing

J. Obligations of member countries

1. Not to buy gold above parity or sell gold below parity

2. Not to allow exchange transactions at rates outside range prescribed

3. Not to impose restrictions on payment for current international transactions or to engage in discriminatory currency arrangements

K. Transitional arrangements

Removal of exchange restrictions may be gradual