Discussion before
the
Committee on International Finance
Pennsylvania Bankers Association

by
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Board Room
Federal Reserve Bank of Philadelphia
Thursday, September 14, 1944
I. International cooperation versus unilateral approach - experiences between the wars - period of unilateral and bilateral approach to international economic problems

1. Each country tried to
   A. Protect itself and
   B. Take advantage of neighbors

2. Devices used
   A. Currency depreciation
   B. Quotas
   C. Multilateral currencies
   D. Bilateral agreements (clearing)

3. Results
   A. United States Foreign Trade

<table>
<thead>
<tr>
<th></th>
<th>1919</th>
<th>1929</th>
<th>1932</th>
<th>1939</th>
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</thead>
<tbody>
<tr>
<td>Exports</td>
<td>7.9</td>
<td>5.2</td>
<td>1.6</td>
<td>3.2</td>
</tr>
<tr>
<td>Imports</td>
<td>3.9</td>
<td>4.4</td>
<td>1.3</td>
<td>2.3</td>
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   B. Hot money

4. Conclusion - cooperative action merits a trial
II. Timeliness of action

1. Time to do something for stability is when there is danger of instability

   Not when everything is stable
   Don't keep enough - never do. - avoid some future problems by doing so today.

III. The proposed International Monetary Fund and Bank

1. The International Monetary Fund

   A. Objectives

      a. Reasonably stable standard of international exchange to which all can adhere

      b. Without sacrificing freedom of action needed to meet internal economic problems

   B. Method

      a. Stability without rigidity

         Conditions for change (10% + 10% + X%)

      b. Tiding over temporary embarrassments

         (I) Quotas

         (II) Safeguards against misuse
(1) 25% - 200%

(2) Only for current transactions

(3) Repurchase provisions

(4) Charges

(5) Declaring ineligible
   (A) If using for contrary purposes
   (B) Or for capital transfers
   (C) Failure to fulfill obligations

C. Management and control

2. Alternative solution - the key-country approach

A. What it is

B. Inadequacies

   a. Crises do not necessarily originate in key countries

   Prepare in advance (permanent) wherever they occur (international)

   b. Resentment of excluded nations
c. Build up blocks and satellites

Key countries negotiate for satellites?

How about Canada?

- with U. S. + with U. K.

d. Commodities or countries as key

  e.g. - wheat

3. International Bank

A. Purposes

B. Method

  a. To facilitate foreign private loans

  b. To guarantee - with prior member guarantee

  c. Participate in loans

  d. Lend

IV. Conclusions

  1. Wisdom of international collaboration

  2. Necessity for concrete plans
3. **Principles and objectives of IMF and IB provide a sound foundation for a suitable policy and program**

4. **Not a panacea**