

**Discussion before
the
Committee on International Finance
Pennsylvania Bankers Association**

**by
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dissatisfaction equitably distributed

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

	<u>1919</u>	<u>1929</u>	<u>1932</u>	<u>1939</u>
Exports	7.9	5.2	1.6	3.2
Imports	3.9	4.4	1.3	2.3

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 know enough - never do. - avoid some future problems by doing something now

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

(b) Guaranteeing value of currency

C. Management and control
p. 24.

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