THE INTERNATIONAL MONETARY FUND

by

Karl R. Bopp

American Institute of Banking
Philadelphia Chapter
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At Bretton Woods one heard everything.

2) Bell Hop calling Marionette Eftklues!
   I have heard the Chairman of the Fed. Res. Board
   called many names, but none before a
   Marionette!

3) Difficulties with pronunciation.
   Sir Chintamani D. Deshmukh
   N.F. Chechanin
   Antonio Esperosa de los Monteros

4) Kidnau with his eternal Master Chairman
   until you could hear it in your sleep.

5) Mackintosh was awakened by it!

6) Hiccupps after the Russian party for the Caundtsis!

Vodka
Cognac
Scotch + Soda
I. Purpose

To facilitate the steady and balanced expansion of international trade

Everyone agrees on desirability
II. Why agreement on objectives is not enough

Difficulties that prevent achievement?

A. Disequilibrium

1. Fundamental

EL = $50; E = $.05
Affects all countries
Solutions are

Change in internal value
Change in external value

2. Temporary - emergency

a. How they arise
b. Remedies

1) Restrict purchases to available resources

2) Depreciate

3) Provide temporary funds

"He dipped into his capital."

Mr. Lowell
within the state of New England
III. Restrictions of unilateral actions

A. Competitive exchange depreciation
B. Multiple currency systems
C. Bilateral clearing agreements
D. Exchange and trade controls
   Quotas, etc.

IV. Most predominant solutions

A. The Bretton Woods agreement
B. Key-Country Approach
V. The International Monetary Fund

A. History

Merits recording because for the first time in history officials thought in the open-record available in Federal Reserve Bulletin

1. Preliminary discussions in fall of 1941
   Secretary Morgenthau asked White to study.

2. Stabilization Fund draft of April 6, 1943
   "It is hoped that the appended draft will call forth from the experts of the United Nations critical comment and constructive suggestions. It is our belief that a workable and acceptable plan can emerge only from the joint efforts of the United Nations."

3. Clearing Union - April 7, 1943
   "It is hoped that these proposals will afford a basis for discussion, criticism, and constructive amendment together with similar plans having similar objectives which may be prepared by experts of other governments."

4. Canadian observations - July 12, 1943
5. Revised International Stabilization Fund draft – August 20, 1943

After discussions with experts of many nations

"Published with the hope that it will call forth further comments and constructive suggestions."

6. Joint statement of experts – April 21, 1944

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7. Preliminary conference, Atlantic City, June 15–29, 1944

Bretton Woods – July 1-22, 1944

8. (44 nations)

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9. No other comprehensive plan was proposed.

Not until the recent convention did the ABA establish a committee to formulate a program.
B. Principles

1. Stable but not rigid exchange rates
   Guarantee of gold value of the Fund

2. Reduction and eventual elimination of exchange restrictions
   Report after 3 years
   Consent to continue after 5 years

3. Pool of Fund to tide over emergencies
   a. Each member contributes an amount (quota) to a common pool.
      25% of quota or 10% of holdings in gold
      Remainder in local currency
   b. Each member has limited access to the pool: limitations
      1) 25% of quota per year - 200% total
      2) Repurchases
      3) Uses
      4) Charges - distribution of income
      5) Declaring ineligible
C. Management

1. Voting: $250 + \frac{\text{Quota}}{\$100,000}$

2. Board of governors

3. Executive directors – at least 12
   
   5 - appointed by largest quota members  
   2 - non-appointing American republics  
   5 - other non-appointing members  
   2 - largest "creditors" after 2 years

4. Managing director
VI. The key-country approach

Diverse proposals — not clear-cut

A. Principles

1. Initial U.S.-U.K. agreement on sterling/dollar rate

Other currencies linked to one or the other

2. Large ($5 billion) grant-in-aid or gift or loan to Great Britain conditions dictated?

Aid to others as they adopt policies we consider appropriate dictation?
VII. Similarities and differences between the two approaches

A. Similarities

1. Success of both depends upon reduction in trade barriers and sound internal financial & economic policies

2. Dollar-sterling rate crucial

3. Chief responsibility and authority to major countries

4. Provide stabilization credits

B. Dissimilarities

1. Role of small nations

2. Fund discourages, key-country encourages formation of blocks

3. Fund has place for non-members of blocks

4. Key currency on a product basis

   Wheat: U.S., Canada, Argentina, Australia

5. Fund agreement by technicians of 44 nations

Continues war partnership

6. Fund prepares for crises wherever and whenever they occur