

THE INTERNATIONAL MONETARY FUND

by  
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Philadelphia Chapter  
Midday Club  
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At Bretton Woods one heard everything

W. B. Brown

a) Bellhop calling Marionette EKKles!

I have heard the Chairman of the Fed. Res. Board  
called many names, but none before a  
Marionette!

b) Difficulties with pronouncing.

Sis Chintaman D. Deshmukh

N.F. Chachulin

Antonio Espinosa de los Monteros

c) Killian with his eternal Master Chairman  
until you could see it in your sleep.

d) Mackintosh was awakened by it!

e) Perhaps after the Russian party for the Canadians!

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

*Diff. countries that*  
 What prevents achievement?

A. Disequilibrium *a few minutes of technical matters*

### 1. Fundamental

$\text{£1} = \$50 = \$.05$

Affects all countries

Solutions are

Change in internal value

Change in external value

*or hope for the world to change*  
*all countries affected*

### 2. Temporary - emergency

a. How they arise

*Walter Nash - New Zealand*

b. Remedies

1) Restrict purchases to available resources

2) Depreciate

3) Provide temporary funds

*"He dipped into his capital"*

*Mr. Lowell*

*author to note of New England*

*Results*

- 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. ~~Main~~ predominant solutions
- A. The Bretton Woods agreement
  - B. Key-Country Approach

2. Two years of study

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.

Started with tripartite accord of 1936

*years* 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."

*next day* 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."

year after first  
policy drafts  
were  
issued: *Unitas*  
(did because of  
criticism)  
normal was balance  
pd:  
ways in ex. rates  
control  
of payments  
thought  
in a financial plan.

6. Joint statement of experts - April 21, 1944

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

8. Bretton Woods - July 1-22, 1944 (44 nations)

language difficulties: Malinin: "all-in-all" "non-committee"  
Secretary.  
Customs: King: "all a broken state?"  
3 Russians + girl @ Atlantic City.  
43 Chinamen "to slow face" - 9/10 to him  
Determining men in this war.  
Kaitkan  
Boranski  
Veroveron.

Had work.

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. *Arguments on quotas*

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  
*distortion?*

## 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  
*p. 7, 9, 13*
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

*Key country assumes all occur in them.*