

STANDARDS OF MONETARY CONDUCT UNDER THE
BRETTON WOODS AGREEMENTS

by
Karl R. Bopp

Credit Men's Association of Eastern Pennsylvania
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I. Introduction

A. Relation to remainder of program

1. *Supposim* ~~Discussion~~ this p.m. on Economic and Social Council of the United Nations.
2. Therefore devote more time to background and principles and less to details.

B. What the delegates took to Bretton Woods

1. Knowledge of experience between the wars.
2. Two years of intensive study.
3. Spirit of cooperation and compromise.

II. Experience between the wars

A. Pre-1914 gold standard developed ~~in~~ ^{over} a century of peace.

Rules of game provided multilateral, stable currencies

B. Shattered during the war War inflations

C. Unilateral stabilizations *Restoring the facade*

1. Differences in rates and in time.
2. United Kingdom overvalued in 1925.

Relative 1/15.000
Germany 1/1 trillion
UK 1/1
France 1/5
Belgium

- a. Bull speculation before and bear after stabilization.
- b. Purchasing power parity.

*decrease external }
increase internal } means*

- (1) External value \$5, internal \$4.50.
- (2) Solution: decrease prices, wages: unemployment.

3. France undervalued in 1926.

- a. Bear speculation before and bull speculation afterward.
- b. Accumulation of gold and foreign balances.

D. Protective and offensive economic warfare

1. Protecting home employment and markets.

- a. Trade controls.
- b. Tariffs.
- c. Import quotas.
- d. Exchange controls.

2. *Special gold* Speculation vid quo pro arrangements.
Bilateral clearing agreements.

3. Offensive weapons

- a. Competitive exchange depreciation.
Export unemployment.
- b. Multiple currency systems.

E. The net result

1. **Misdirection of resources on temporary basis.**
2. **Spreading and deepening of unemployment and depreciation.**
3. **Conclusion: prosperity or depression are indivisible.**

III. Two years of intensive study

**A. The White monetary fund
Based on Unitas**

1. **Began work December 1941.
Published April 1943.**

**B. Keynes clearing house
Based on Bancor**

1. **Published April 1943.**

C. Discussions and revisions

**D. Joint statement of experts
Spring of 1944**

E. Atlantic City and Bretton Woods

IV. The spirit of compromise

A. The problem of reconstruction and development

1. The conflict.

- a. Need for productive funds on long term.
- b. United States unwilling to assume all risks.

2. The reconciliation.

Joint assumption of risks even though United States furnishes the funds.

B. The problems of monetary conduct - the Fund agreement

1. The problem of exchange rates.

a. The conflict.

- (1) Stability - United States
- (2) Flexibility - United Kingdom

b. The reconciliation.

- (1) Others agree not to change except to meet fundamental disequilibrium.
- (2) We agree to permit change if really necessary.

2. The problem of exchange controls

a. The conflict.

- (1) Free multilateral exchange - U.S.
- (2) Continuation of controls - U.K.

b. The reconciliation.

- (1) Remove as soon as possible.
- (2) Report after three years.
- (3) Secure consent after five years.

3. The problem of access to the Fund.

a. The need for a second line of international reserves.

b. The conflict.

- (1) Others say automatically right.
- (2) U.S. says only if Fund agrees.

c. The reconciliation.

- (1) The Fund must lend but only if applicant lives up to terms and conditions.

C. The miracle of Bretton Woods

- 1. Forty-four nations represented by economists and lawyers reached agreement!
- 2. Not a perfect document.
- 3. Depends on administration.

V. Current status

A. In the United States

1. House of Representatives.

- a. Committee hearings March 7-May 11, 1945.
- b. Passed 345 to 18, June 7, 1945.

2. Senate

- a. Committee hearings, June 12-28, 1945.
- b. Passed 61 to 16, July 19, 1945.

3. President approves, July 21, 1945.

B. Elsewhere

1. Phillipines

VI. Will it work?

A. Will a spade work?

**It is the tool that can be used to
accomplish constructive objectives
or can be used as a weapon of death.**