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British and American Plans
for
International Currency
Stabilization

J. H. RIDDLE

OUR ECONOMY IN WAR

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Preface

THIS PAPER IS CONCERNED WITH recent proposals for dealing with a basic problem of postwar reconstruction, the stabilization of currency values in international transactions. The object of the paper is to clarify the issues that inhere in the proposals and in the problem.

The exposition undertakes to deal impartially, though critically, with currency stabilization proposals that have been advanced. In accordance with the practice of the National Bureau of Economic Research, both the exposition and comments are designed to aid readers in forming their own opinion of them. Every care has been taken to keep the generalizations consistent with established knowledge of international finance. Judgments expressed by the author concerning possible effects of the plans are in no sense opinions held by the National Bureau as a research organization.

The research work of the Financial Research Program is carried on under special grants from the Association of Reserve City Bankers and private foundations. None of these sources is to be understood as approving, by virtue of its grant, any of the statements made or conclusions reached herein. These are the sole responsibility of the author.

The author, J. H. Riddle, Economic Adviser to the Bankers Trust Company of New York, was a member of the National Bureau's Exploratory Committee on Financial Research, whose report in 1937 set in motion the Financial Research Program. From its inception Mr. Riddle has served as consultant to the National Bureau's Committee on Research in Finance; his counsel and advice have been helpful in shaping many of the Program's specific research activities.

The preliminary version of the study was circulated among a selected group of interested experts and the present study has benefited greatly from their suggestions. Renée S. Courtney was in charge of guiding the manuscript through the press.

RALPH A. YOUNG

Director, Financial Research Program

December 1943

Contents

FEATURES OF THE PLANS	2
SIMILARITY OF OBJECTIVES	3
MEMBERSHIP AND ADDITIONS TO MEMBERSHIP	4
QUOTAS OF MEMBER COUNTRIES	5
DETERMINATION OF RATES OF EXCHANGE	6
MANAGEMENT AND CONTROL	7
GENERAL POWERS	8
THE PROBLEM OF DEBIT BALANCES	10
CONTROL OVER SHORT-TERM CAPITAL MOVEMENTS	13
THE PROBLEM OF CREDIT BALANCES	14
EFFECT ON MONEY MARKETS	15
LIMITATIONS ON ACTIONS OF MEMBER COUNTRIES	17
WITHDRAWALS AND SUSPENSIONS	19
BLOCKED FOREIGN BALANCES	19
OTHER INTERNATIONAL FINANCIAL AGENCIES	20
FEASIBILITY OF THE OVER-ALL APPROACH	22
TRANSITION PERIOD	22
OBSTACLES TO IMMEDIATE EXCHANGE STABILITY	25
Political Instability	25
Internal Economic Instability	25
Trade Restrictions and Dislocations	26
RELIANCE ON CREDITS	27
INFLATIONARY INFLUENCES	29
POTENTIAL CREDIT BURDEN ON THE UNITED STATES	29
ECONOMIC CONTROLS	30
THE KEY-COUNTRY APPROACH	32
INTERNATIONAL BANK FOR STABILIZATION	33
SAFEGUARDS AGAINST MONETARY CHAOS	35
ROLE OF THE UNITED STATES	36

Director's Note

THE PLANS for international currency stabilization after the war put forward by Treasury experts of Great Britain and the United States deal with a problem of great importance and great difficulty. The following comparison of these proposals is an effort to promote understanding of their provisions and the way they may be expected to work under the conditions that will presumably prevail in the postwar world.

Mr. Riddle's analysis of the official plans and of the "key-country approach" is offered, not as an argument for or against any proposal, but as an aid to thoughtful study of the problem by all concerned. An attempt to foresee the probable consequences of alternative methods is the best way of choosing between them. Such weighing of hypothetical probabilities is neither forecasting nor advocacy. As a research organization the National Bureau takes no position on matters of policy; but it does endeavor to aid thoughtful men of differing viewpoints to form their own opinions by ascertaining current facts, and when the topic requires, by anticipating future probabilities as best may be. No one needs to be told that the latter is a highly uncertain venture, but one that every foreseeing person must engage in on many occasions.

WESLEY C. MITCHELL