been drawn up to establish an automobile industry and to expand the existing aircraft industry. Aluminum production is to be undertaken, and plans to install synthetic-rubber plants have been reviewed. Small arms and weapons are already being supplied for the Australian armed services, while other industries as well are scheduled to be established in the country in order to bring about industrial self-sufficiency as far as this is possible.

Third place in postwar plans is taken by designs on territorial expansion. Being a large, underpopulated continent herself, Australia is less interested in actual acquisitions than in extending her sphere of influence. Although no concrete plans have been published yet, there has been talk of increasing Australia's influence in the islands to the north of the continent.

* * *

To sum up: in addition to being confronted with difficult war-time problems, Australia is up against natural disasters for the overcoming of which improvised methods are hardly effective. The increasing demands thrust upon her as upon other parts of the Empire by Britain are scarcely proportionate to her capacity, particularly after this capacity has been affected by such unforeseen developments as the drought. Indeed, the difficulties are so great and so numerous that readjustment of industry, utilization of every source of manpower, reduced rationing on the home front, and increased burdens on the population, cannot adequately cope with the needs facing Australia in the sixth year of the war.

BRETTON WOODS

By F. BRETSCHNEIDER

An analysis of one of the most important inter-Allied conferences, based largely on material which has reached us from Europe. The author is in the banking business and lives in Shanghai.

ON July 1, 1944, before the representatives of some forty-five of the "United and Associated Nations," President Roosevelt opened the "International Monetary and Finance Conference" at Bretton Woods, New Hampshire. The conference had been preceded by such a barrage of propaganda that the Allied camp and even neutral quarters expected it really to solve all important problems in international financial and currency relations for a long time to come.

Meanwhile many months have passed. The great hopes placed upon the conference have been forgotten. There is talk again of the threat of inflation or of actual inflation in this or that country, of the complete stagnation of trade in many, especially the "liberated" countries; and one almost overlooks that short press notice reporting that on February 4, 1945, the American Bankers' Association rejected in its entirety one of the chief proposals of the Bretton Woods Conference—the establishment of an international monetary fund.

INTERNATIONAL CONFERENCE?

Who, then, were the participants in this conference of experts, if the leading American banks now repudiate one of the main points decided upon by it? What was the meaning and object of the conference? And what did it achieve?

The whole idea of the conference was probably born in the United States, and the date set for its meeting—right after the beginning of the invasion in Europe and a few months before the presidential elections—as well as the publicity given it in the Allied camp fitted perfectly into the American propaganda trend: the war has been won and is about to be ended; now it is up to us to prepare for peace, to organize the currencies and finances of the world for peace-time demands and, wherever necessary, to put them on a sound basis. Experts to the fore! Eliminate politics, think only of currency and financial questions, develop your plans, agree on some common basis—since you are all experts in the same field, this should be an easy matter for you—and then submit your decisions to your governments so that the latter may act upon them for the benefit of mankind!

Thus spake Roosevelt, and more than three hundred delegates came from all four corners of the world. Of course, the representatives of the Axis countries were absent. But then they had not been summoned. And the neutrals? Believe it or not: they had not been invited either! So, after all, it was not an international conference, as had so loudly been proclaimed, but one in which only the anti-Axis countries were allowed to participate. From these latter, however, everyone had come who could lay claim to being considered an expert in monetary matters: 16 Ministers of Finance, swarms of financial advisers, heads of issuing and other banks, and world-renowned financial authorities.

The largest delegation was, of course, that of the United States, headed by Secretary of the Treasury Henry Morgenthau Jr.; but even Chungking appeared with 33 delegates, among them Minister of Finance Dr. H. H. Kung, Vice-Minister of Finance Koo, and Vice-Foreign Minister Victor Ho. The British delegation was led by Lord Keynes, for many years financial adviser to the British Government. A complete list of the delegates to the conference has not become available here. But among those names that were reported there were many Jewish ones such as Morgenthau (USA), Gutt (Belgium), Mendes (France), and Feierabend (Czechoslovak exile government).

THE AVOWED OBJECT

Since, according to the opening address of President Roosevelt, "trade is the life blood of a free society," the purpose of this meeting of experts was to see to it "that the arteries conducting this stream of blood will never again be obstructed as in the past by artificial barriers arising from senseless economic rivalry." Secretary Morgenthau, in turn, averred that the object of the conference was to establish "sound, stable commercial relations among the various nations."

These are fine words, at the sound of which one should, however, not forget which nation raised the highest trade barriers and had the most senseless commercial rivalries to show. Moreover, it should be borne in mind that it is not trade which comes first in the economic life of the nations but production. Producing goods—that is the foundation; trade, i.e., the exchange of goods, can only follow upon that. Those who try to help trade before placing production on a sound basis are putting the cart before the horse.

Long discussions were held in Bretton Woods as to how the intended rehabilitation of trade was to be carried out. The representatives of the USA and of England had each arrived with concrete plans, plans which were widely divergent; and there were many disputes in the open and behind the scenes before a formula was finally found on which the conference agreed and which could then be recommended for acceptance by all governments. It had been the natural desire of the American bankers to persuade all countries to restore the gold standard in their currencies—natural in view of the huge American gold reserves and the world domination of the US dollar being aimed at. However, in the discussions preceding the conference the British had vehemently opposed this and probably also indicated their intention if necessary to mobilize all the countries of the sterling bloc against this plan. As the world was to be given an impression of harmony among the delegates, the plan was dropped by the Americans, although it was put forward again in a camouflaged form during the conference, with representatives of other countries acting as mouthpieces. These delegates proposed the creation of an international world currency based on gold, for which such impressive names as "Bancor," "Unitas," and even "Demos" were suggested. But since a gold-based currency of this kind would mean neither more nor less than a return to the gold standard as well as an intervention in the financial sovereignty of the various countries, a sounding of the atmosphere made it seem advisable quickly to drop these plans too, greatly to the annoyance of the big American banks, as has now become apparent.

The most important points of the final compromise formula were:

(1) The creation of an international monetary fund in order to facilitate clearances among the various countries.

(2) The founding of an international bank for postwar reconstruction and economic development, for which the name of "International Guarantee and Investment Corporation" was suggested.

THE MONETARY FUND

The monetary fund, or currency stabilization fund, is intended to facilitate the free movement of currency, i.e., as a maneuvering fund for exchange transactions. Each country is to pay in an amount of its own currency, the extent of which is determined by a complicated calculation based on the country's gold production and gold reserves as well as its economic importance and development. To balance payments resulting from its international trade, each country is then to be allowed to obtain foreign currencies from the fund up to an amount corresponding to a fixed percentage of the amount paid in. Should a currency deposited with the fund become scarce as a result of strong demand on the part of other countries (to cover their imports, etc.), then the fund is to be entitled to replenish this scarce currency reserve by selling gold to the country in question (i.e., the exporter or creditor), unless the fund should find reason officially to declare the currency in question "scarce" and to reduce its allotment to other countries.

As the amount of foreign currencies available for each country from the fund was to depend on the amount each country paid in, or on its "quota," there were, of course, heated disputes over these quotas. The situation became even more acute when the Soviet delegates refused to provide the figures on their country's gold production and gold reserves which were needed for the calculation of its quota. Furthermore, the size of a country's quota was also to affect the number of its votes in the fund and thus its influence on its management; this gave added impetus to the desire of each country to increase its quota. For a while it almost seemed as if the United Nations would become thoroughly disunited over this question of quotas, but finally it became possible by increasing the total fund and adjustments in the size of the various quotas to get all delegates to agree. The outcome was that the total fund is to amount to US$8.8 billions, the largest quotas being

	Billion Dollars
USA	2.75
Great Britain	1.3
USSR	1.2

Since the USA could count with a fair degree of certainty on the votes of most South American participants as well as those of some of the participants from the British Empire, Washington did not regard its preponderance in the management of the fund as threatened.

Here is another spicy little item: one condition for the right to draw foreign currencies from the fund was to be the undertaking to carry out changes in the parity of one's currency—in other words, devaluations—up to 10 per cent only after previous notification of the fund. Changes up to another 10 per cent were to be permitted only "after consulting the fund"—which is somewhat obscurely put and probably means: after having obtained permission from the fund. The next regulation is even more obscure, prescribing that more extensive changes in parity depend on "mutual agreement based on a careful study of the situation." The representatives of the Soviet Union immediately opposed the application of these regulations to their own country. And the conference was quick to concede them that the Soviet Union should be allowed to have, in addition to a foreign trade currency whose rate was fixed, a domestic currency with which it could do as it liked. No other country, however, is granted this right!

The disputes over the quotas had been preceded and were paralleled by a dispute over the establishment of the fund itself. One of the chief arguments of its opponents was that, whatever happened, US dollars would be the currency most in demand, so that the US-dollar reserves of the fund would very quickly not only become scarce but vanish entirely. The result would be that the currencies of other countries which were less in demand would be the only available means of exchange in the fund. Harry White, the spiritual father of the fund plan, argued against this that the United States would have a great demand for foreign currencies after the war (1) because thousands of Americans would be traveling abroad, (2) because of large American imports of raw material as well as finished goods, (3) in consequence of extensive exports of capital in the form of American branch concerns throughout the world. Curiously enough, this satisfied the critics.

Among the principal opponents of the fund were the majority of the American banks—and the decision of February 4, 1945, shows that they still are—which simply wanted to compel all countries to return to the gold standard. Other critics considered the system of the monetary fund as being far too complicated. Among them was Professor B. M. Anderson of the University of California, who also supported a general return to the gold standard. If America wanted to help countries in financial distress, he said, she should merely grant them stabilization loans, making these dependent on the carrying out of drastic internal financial and currency reforms. In extreme cases, emergency needs could be alleviated by gifts: "Gifts, don't call it loans! Don't expect to get the money back!" How unpleasant for American ears!

INTERNATIONAL BANK

Less violent were the disputes over the proposed International Guarantee and Investment Corporation. It is supposed to provide long-term credits at reasonable terms for the reconstruction of the world, either in direct credits up to the amount of its paid-up capital —10 or, according to other sources, 25 per cent of its stipulated capital—or by undertaking guarantees up to the amount of its capital not yet paid up. The risk for the credits and guarantees is to be borne by all countries in common, corresponding to the amount of their own capital quota. That was, of course, the reason for each country's aiming, in contrast to the dispute over the quotas in the monetary fund, for as low a capital quota in the bank as possible. No details have become known here about the distribution of quotas in the basic capital of the bank, which has been set at US$10 billion.

In addition to the monetary fund and the reconstruction bank, there were, of course, a number of other subjects under discussion. There was, for instance, the discussion of Britain's debts and the unfreezing of the London sterling balances of the Empire countries, particularly India, as well as of Egypt. This stumbling block was finally got around by the conference deciding not to discuss the problem of war debts, a decision which India accepted with reluctance.

Revealing insight was also provided by the attack which the otherwise rather insignificant delegate of "Free Norway" was made to direct against the neutrals, whom he accused of financial collaboration with the Axis. It was in particular the Bank for International Settlements in Basel which seemed to have roused his anger. It goes without saying that the speaker acted upon instructions from the big powers. The neutrals in question, i.e., the Swedish and Swiss banks, were quick to realize this: they immediately introduced certain transfer restrictions. *Difficile est satiram non scribere*: the first (and so far only) result of the Bretton Woods conference, whose avowed object it was to facilitate the flow of international commerce by the removal of foreign-exchange restrictions, was a transfer restriction extorted from other countries!

Here the cloven foot of the "international co-operation" propagated with so many fine words has become clearly visible. Not world co-operation but world domination by a certain group was the true goal of the wirepullers of Bretton Woods. And the objections raised by the American banks are simply to be attributed to the fact that world domination via monetary fund and reconstruction bank, in which—horrible to relate—even other countries are to have a say, seems too troublesome and complicated to them.

WHAT DOES IT AMOUNT TO?

The Axis countries did not take long to see through the comedy being played at Bretton Woods. If German critics dealt with the principles, plans, and proposals of the conference, it was for the benefit of those honest theoreticians in the Allied and neutral camps who had at first placed their faith in the silver lining of "free co-operation," and to clarify the German point of view. The chief points of criticism were, briefly, as follows.

(1) In order to put the world back on a sound basis, one must start not with currencies, finances, and interstate trade, but before anything else with politics—and politicians. Only through sensible politics and sensible politicians can we achieve stable political conditions and, as a consequence, economic prosperity. For political insecurity paralyzes economic life. But just as economics must serve the whole nation, trade cannot be a thing in itself: it must serve economics. It is not money, currency, or trade which is the primary—it is production. People accustomed to thinking only in terms of money can help neither economics nor nations. What went on in Bretton Woods was at best—the dispute over the quotas demonstrated this—abstract mathematics, not throbbing life. If economic questions were dealt with at all, then only with the calculating machine or on paper.

(2) The—let us assume—honest scientists and theoreticians among the experts were coupled with bankers. In the countries of liberalism the bankers, men who acknowledge nothing but the liberalistic conception of economics, have never revealed any feeling for the welfare of their own people, much less of other nations. Their idol is the bank they represent, the columns of figures in their ledgers. This is not intended as a reproach; we merely wish to point out a fact. To expect such men to show understanding for the welfare and troubles of nations would be the same as to expect a cannibal to appreciate vegetarian theories.

(3) Although there is much talk of international co-operation in the Bretton Woods proposals, the final result of these proposals, outwardly mildened as they were by long discussions, would sooner or later amount to nothing more than financial world domination by the USA. For, after all, not even the planned currency fund can solve the transfer problem, over which all the experts have been racking their brains since the twenties. At the conference itself the objection was already raised that the US dollar reserves of the fund would soon be exhausted and other, weaker currencies ("weaker" from the point of view not of actual value but of the economic strength of the various countries) accumulated. We already mentioned that the American expert White attempted to allay these objections, although his arguments were hardly convincing. With one of his arguments, however, he lifted a corner of the camouflage net spread over the conference: when he pointed to the intended American capital investments by the establishment of branch concerns in other countries. Here it became clear that USA circles are still dreaming of that economic imperialism which, here in the East, Dr. Sun Yat-sen was one of the first to oppose.

As we said before, neither the monetary fund nor the reconstruction bank would solve the clearing problem—they would merely postpone it. But the time would be bound to come in the end when the financial experts could only remove the accumulating transfer difficulties by clearing loans. And that would mean a new beginning of the vicious circle we knew so well between the two world wars: interest on these loans has to be paid and the loans themselves must be redeemed. How? From what? By exports on the part of the debtors which compete with the industrial production of the creditor and against which the latter protects himself by raising his tariffs and restricting imports? Or perhaps by new loans? Good heavens, are national economics really nothing but—to use the words of a wit—"the payment of the debts of the last generation by taking up loans which the next generation will have to repay"?

GERMAN IDEAS

No, whichever way you look at it, the restoration of national economics must be carried out from an entirely different foundation. Early in July, 1944, Dr. Funk, the German Minister of Economics, formulated the problem somewhat as follows:

The nations of the world need a new economic order, because the old one has failed. But one cannot restore world economics by currency plans: one must restore the currencies by economic plans. These latter must be limited in geographical scope. The countries situated within one economic sphere, while retaining complete political sovereignty, must form an economic community based on the possibilities of complementing each other given by nature. Currency relations among the countries of such an economic sphere must be fixed in free interstate agreements, not in a complicated, abstract currency mechanism which deprives the states of their autonomy and freedom of decision and forces them into a monetary strait jacket. Clearing balances arising in such a system can be offset by supplies arranged for in special agreements; or such balances may be adjusted naturally by settlement among various countries within a sphere.

Only such long-term trade and clearing agreements can safeguard the smooth progress of that which is most important for preventing unemployment and providing economic prosperity for all concerned: production of goods and, following upon that, exchange of goods.

This brief summary of Dr. Funk's words indicates the German ideas on how Europe's economics should be organized. The effectiveness of these ideas had already been proved before 1939, particularly in southeastern Europe. After 1940 they also proved their worth in Germany's relations with the countries in Northern and Western Europe which were occupied by her in the course of the war. Almost overnight, unemployment vanished there, the population being ensured of a steady supply of food and necessities. Allied soldiers, journalists, and even economists had to admit after the invasion that they had had an entirely erroneous conception of the food and supply situation in the "liberated" countries and that starvation, distress, and complete economic stagnation only made their entry with the Allied invasion, when all trade with Germany was stopped.

Agreements analogous to those among the various countries of one economic sphere may also be arrived at between two economic spheres; such agreements between East Asia and Central Europe have in fact already been functioning. Only in the economic rehabilitation of the various countries within their economic spheres and, without imperialistic ulterior motives, from one economic sphere to another, is there hope for the rehabilitation of world economics.

* * *

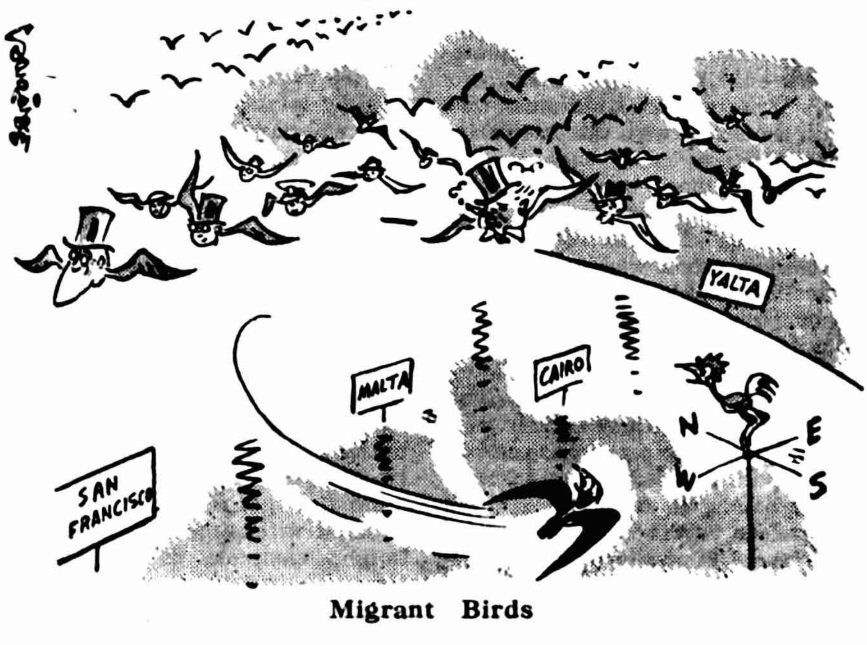
Bretton Woods is a health resort. The atmosphere of the conference was described by a Soviet observer who wrote: "We could only feel envious of the representatives of some of the smaller countries . . . . They relaxed in the 'Moon Room,' where there is a bar, went for walks in the woods, swam in the swimming pool, played tennis, golf, volley ball . . . and at the meetings, too, they felt much more at ease than the delegates who bore the responsibility. . . . Nevertheless, the conference was dragged out a little—up to July 22—and the hotel guests arriving on July 21 actually began to push us out."

That was the atmosphere of a conference from which the propaganda preceding it had led many to expect the solution of all economic and financial troubles. *Life* published a photograph of Lord Keynes, the British expert, over the following caption: "He is also an expert in the field of good wines and good food."

How many people the world over are longing to be able one day to call themselves experts in these fields too! Bretton Woods has not brought them a single step nearer to this.

CARTOON OF THE MONTH

By SAPAJOU



Migrant Birds