

Another thing that we get under Bretton Woods is what I referred to yesterday as a forum, a place at which we, and other countries who would be similarly affected by a depression in the United States, can make known the impact of the American policies that are getting us into difficulties, I said yesterday that I thought not enough attention had been devoted to this, the importance of this forum aspect; and I felt after the meeting was over that, even in the time that I devoted to it yesterday, that I did not really indicate adequately the importance of it. Consider what the situation was, let us say in 1930 or 1931, after the depression had started with particular severity in the United States. The depression resulted in the loss of international reserves by a good many countries. Those countries, faced with depression at home, were forced to take measures to protect their position—measures such as tariffs, exchange controls and quotas—and those measures in turn resulted in what one could call the fractionalization, the breaking up of the world economic system. The significant thing is that if there had been a desire, and machinery by which that desire could be accomplished, for countries to meet that depression not through restrictive contractionist action of that sort but through general expansionary action, then you would not have had the development of these beggar-my-neighbour policies. You did not have an adequate forum in the inter-war period, and that is another thing that Bretton Woods gives. It provides some hope, at any rate, that the impact of a depression—we have been talking about the United States, but we could say the same of any country—will be lessened on other countries.

If this outline has been too sanguine, too optimistic, and if the depression in the United States turns out to be a serious and prolonged depression, then what is the situation under Bretton Woods? Under Bretton Woods, as I have indicated, we have not lost our right to try to make an adjustment to that situation through currency adjustments. We have in addition something that we have not had before, namely, the right on the part of all countries to try to make adjustment to that situation through the scarce currency provisions of the plan. In the past when the supply of dollars fell as a result of depression in the United States and as a result of the sudden cessation of capital exports, of course countries had to make adjustment to that, and the adjustments that they made to it were these measures that we call economic warfare. Now, under the scarce currency provisions, you will have a situation under which countries whose currencies are not scarce can go on trading with each other without being obliged, on account of the decline in the supply of one currency, to restrict their trade generally under the operation of the most-favoured-nation clause in their commercial treaties.

I think the only thing that I want to add to that is that, if there is a serious depression in the United States or any other important industrial country, no international monetary organization will be able to cope with it, even the most perfect one; that the only thing capable of coping with that is vigorous government action, and Bretton Woods is certainly not a substitute for vigorous government action in the domestic field. On the contrary, Bretton Woods can operate with real success only if countries, and particularly the large industrial countries, do carry out domestic policies that are aimed and successfully aimed at high levels of employment and income.

*By Mr. Coldwell:*

Q. I may take it from your remarks, Mr. Rasminsky, that in your opinion, with the fund and with the prospect of discussion and consultation, the world will be better off with the Bretton Woods agreement than without it?—A. Yes. Quite definitely.

Q. That is summarizing what you have said?—A. Yes.