

returned to the gold exchange standard by 1929 and monetary confidence was restored in nearly all countries, a few weeks of crisis in short-term credits sufficed to upset the exchange stability which had been achieved gradually in the previous decade.

The Committee recognized the institutions which exist for maintaining stability in the international monetary reserves, mentioning particularly the European Payments Union which operates as part of the Organization for European Economic Co-operation program and the International Monetary Fund as well as the International Bank for Reconstruction and Development. The International Chamber of Commerce Committee, however, questions whether it will suffice to rely upon the means possessed by these institutions particularly as the International Monetary Fund "has still to show in what way it can effectively use the \$3.0 billion in gold and dollars which it has at its disposal."

In the Report of the subcommittee which has been adopted by the International Chamber of Commerce Council it is proposed as a further step to strengthen the international liquidity position that convertibility funds be established in the financially strong countries. Such convertibility funds would serve the purpose of increasing international liquidity as required to buttress the newly-freed exchange markets and provide for countries seeking to achieve convertibility the means of action in case of future temporary difficulties.

With regard to these proposed convertibility funds in financially strong countries the Report says:

These funds should be authorized to undertake appropriate transactions and in each case sufficient safeguards must be designed to ensure that the country granted facilities by the Convertibility Funds will take all the necessary steps promptly to restore its internal and external balance. The activities of the various Funds which are established must be duly coordinated.

A precedent for such cooperation may be found in the functioning of the Tripartite Agreement which came into being in the autumn of 1936 upon the issue of simultaneous declarations by the Governments of France, Great Britain and the United States, who were subsequently joined by three other governments.

The Tripartite Agreement, never formally terminated, provided valuable experience which may well be given careful consideration in conjunction with any action directed towards the re-establishment of currency convertibility. Convertibility will necessarily mean convertibility into dollars and, once it is established, it will be equally in the interest of countries outside the United States and in that of the United States itself to ensure that it is maintained. Experience has shown that, in addition to the steps taken in the internal economy of the individual countries, special measures must be adopted to safeguard the international liquidity position in times of exceptional stress.

In this newly to be established system of Convertibility Funds the role to be played by the United States is, of course, particularly important. It may be recalled that in 1934 the U.S. established a Stabilization Fund of \$2 billion, now largely utilized. Under present circumstances, with commodity prices more than doubled, the volume of international transactions greatly increased, and the number of countries to whom credits might be granted substantially larger, this figure would have to be appropriately increased. As in the case of the Tripartite Agreement, the Fund established by each country would remain under its exclusive control.

The creation of such Funds should not be regarded merely as a means of rendering financial assistance to other countries; it is in the interest of the financially strong countries themselves to have liquid resources