

Better Than Bretton Woods

THE mailman brought me two pieces of literature, one importuning me to urge congressmen to vote for the Bretton Woods plan, the other pleading with equal cogency that I air-mail contrary instructions. No doubt you received similar pieces and, if you read them, you noted how these "committees" are in a sweat about their respective recommendations. That's the way with people intent on saving the country; it is always the immediacy of action that seems to them so all-fired important. However, more with the idea of keeping myself posted than with any thought of rendering gratuitous advice to legislators, I made inquiry into Bretton Woods. Material there was a-plenty, for at that time the air and the public press were full of the Congressional debate on the subject; so that my reading was supplemented by the opinions of those who presumably had made a study of the plan and knew what it was all about.

If a wrung-out dishrag had any feelings it could not feel any more done in than I did after trying to fathom the workings of the International Monetary Fund and the International Bank for Reconstruction and Development. My finite capacities are not up to the job of wrestling with billions and quotas and the apportionment of votes, and I was all for letting the matter rest with the superior intelligence of Congress. They were obliged finally to come to a decision without benefit of my advice.

However, I got something for my pains. When you fit Bretton Woods into the historic pattern of our international trade policy, the purpose of this intricate business becomes quite clear. Like Lend-Lease and the Export-Import Bank (and you might include the fatuous Dawes and Young plans of post-World War I), the general idea of Bretton Woods is to facilitate the exportation of a considerable

amount of our production to countries somewhat more bankrupt than we are. Reducing the proposition to the simplest terms it runs like this:

They need goods, we need jobs. It would not look good to our taxpayers to make an outright gift of the goods, and these foreigners are slightly insolvent as a result of the war; before we can use them as an outlet for our merchandise their position as a "credit risk" must be improved. In time they will be turning out things of value. But, and here's the rub, our national allergy is goods and the prospect of being repaid in kind frightens us to death; we have always been feverish about getting rid of our production, particularly when many of us are in most need of it, and now the urgency is greater than ever because of our increased productive capacity. The key to this export-without-import puzzle is dollars. Of this commodity, which we value so highly, our currently insolvent customers seem to be

in no prospect of ever having an adequate supply. Hence it is necessary to put them in position to "buy" our bothersome output by deluging them with dollars. These dollars become an "effective demand" on our production and thus put us to work.

And that, in the final analysis, is what Bretton Woods comes to; an over-simplification, if you wish, but not inexact.

When I saw this purpose it occurred to me that all the fuss and fury involved in the plan is a wanton waste of energy, for the subsidization of foreign buyers can be accomplished in a simpler and more direct way. It is a way we have long employed, although without public notice, and all we have to do to meet the current exigency is to enlarge upon it. A brief explanation of this tried and true method of exporting dollars will readily suggest how it can be expanded so as more than to meet the purpose of Bretton Woods.

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SUPPOSE an Englishman owns a block of New York City land. His title amounts to the privilege of collecting an annual sum of dollars from the land-using citizenry. These receipts, which we call rent, he deposits in an American bank. Now another Englishman—say a manufacturer of woolen cloth—decides to buy an American-made automobile. He could settle with a shipment of cloth, but because of the high tariff we Americans would have to pay to obtain his cloth he finds a thin market here; so he sells his product somewhere in the British Empire and receives pounds sterling. But he still is without the kind of funds we demand for the automobile. He then learns of the Englishman who has rent-dollars in the American bank and would just as soon own British money. A swap is made and the British buyer of the American automobile is able to settle his bill. In that way we get back our dollars, that is, we regain ownership, for they never left our shores, and he owns our automobile. From the point of view of our protectionists he is impoverished by our goods, we are enriched by our dollars, while the great problem of unemployment is solved in

that we have these dollars for our payroll. It's all so simple and direct. No Bretton Woods complications are involved.

The Englishman may be a corporation owning, let us say, a block of stock in an insurance company operating in the United States and containing in its investment portfolio a mess of farm mortgages. Since a mortgage represents in fact a part-ownership in the land, the interest paid by the American farmer is a rent-payment; and that is what the English stockholders collect in the dividends declared by the insurance company. (You can substitute for the insurance company any kind of corporation holding title in or mortgages on part of the American domain, such as a mining company, a railroad or real estate concern; in any case the dividend-receipts come from rent.) It should be plain to see that the more American securities held by Englishmen the more dollars are available in London for the purchase of American goods. This

lesson is being driven home hard by recent experience. During pre-Lend-Lease days we demanded cash from Britain for war goods and to raise it Britishers were forced to dump their American securities; that is one reason why their dollar deficiency is now so deplorable as to make some Bretton Woods scheme imperative, since we don't want their goods.

Another vehicle for making available to British buyers the dollars collected by British owners of America—this is a lesson in economics and not an exercise in Anglophobia—is their native income tax. His Majesty's government, like our own, does not discriminate as to source of income when applying its levies; when it taxes the income of subjects who profit from land-ownership in America it becomes possessed of our rent-dollars. Some of these it may use to meet the payroll of its diplomatic service in this country, some to pay interest to American holders of its bonds, some to purchase our goods. In one way or another these dollars become repatriated; since said government can issue money of its own, the only possible use it can have for our dollars is to exchange them for our labor products or our services.

Not to make the lesson involved, but to indicate how various are the ways our rent must come back to us, no matter how much of it we pay out to foreigners, a third country may be involved in the process. Argentina may have a lot of steers on its hands, but since we must protect our price-structure, (that is, we must prevent beef stew from becoming too cheap or too palatable), the bargain is diverted to British menus; the Argentinians are fresh out of nothing the British may have to offer in exchange and are interested for the nonce in some fine American gunpowder; everything is facilitated by payment for the steers in dollars which presently liquidate the bill for gunpowder.

The system is perfect. Ultimately all the rent we export becomes a claim on our goods and thus makes for that "favorable balance of trade" which is the source of our prosperity, according to the protective line.

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FROM this brief lesson it is easy to deduce a simple, practical plan which would obviate the confusion of Bretton Woods and outdo it in its purpose. I don't have the figures at hand, but I am quite sure the rent paid by Americans for permission to use American land is a sizable sum. The land of New York City, as an instance, yields its owners an annual income of at least a half-billion dollars, even after the city tax-collector abstracts about two hundred and thirty millions of rent. I have seen an estimate of the rent-bill for New York State, and my recollection is that it comes close to two billions of dollars per year. As for the country as a whole, would you consider forty billions too high a price to pay for the use of all its urban, agricultural, mineral and railroad lands? I think that would be a bargain.

All this rent is now being paid out regularly regardless of the color, creed or nationality of the title-holders; there is no way of escaping it. But not enough of it goes to where it will do us the most good, that is, to foreigners who will use it to better our employment situation. If they owned more of our country this Bretton Woods affair would be entirely unnecessary. For a perfect program we need only to allocate the lands of America among the nations of the world, taking care that the rent thus canalized will find its way to the most avid buyers. To France, now at the bottom of the league of big nations, should go the greatest plum, which, I believe, would be the State of New York. She needs lots of our products, and with that two billion annually she would employ an army of us. England could do us a world of good if she had the dollars paid out annually for the use of Philadelphia, Pittsburgh, Scranton, and other urban sites, to say nothing of the

coal mines in between; giving the Keystone State to George VI, or his subjects, would be some sort of restitution, for didn't one of his ancestors hand it over to William Penn? Delaware would be enough for impoverished Holland, while Rhode Island would help Belgium on its feet. Title to all the lands west of the Mississippi might be vested in the up-and-coming U.S.S.R., whose capacity for absorbing other people's property is proven, while China could do its bit toward breaking our expected depression by spending with us the rent of Texas.

However, it is the principle of the thing that need interest us at this moment; the details we can leave to the experts who cooked up the Bretton Woods affair. For minds which could evolve that intricate system of getting American dollars abroad, starting with nothing in the way of a principle, the proposition to properly canalize our rent would be a cinch. What should concern us mortals now is the effect of the proposed plan on our economy. Think of how many jobs these foreigners could provide for us with forty billions per year! How picayune the "sixty million" goal becomes; every one of us would have to put in all the overtime his body could bear up under to fill the steady stream of orders. The shipbuilding achievement of the war would be peanuts compared with the needs of our new merchant marine, steaming out annually with forty billion dollars' worth of goods, coming back with our own glorious greenbacks for ballast. It is the dream of "full employment" come true far beyond the dreamer's imagination. It is the ideal make-work program because it is self-operating and continuing. It is the sure preventive of war, for no nation would care to disturb so pleasant an arrangement, while we would be too preoccupied with production to give war a thought. It would solve our minorities' problems by eliminating competition for jobs. It would—

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