

they must allow these British claims on them to accumulate until such time as their war-devastated economies are able to export sufficient to enable them to settle in sterling.

BRITAIN'S DANGER

In a situation such as this the credit balances of certain countries are a menace to world trade and production. Thus, since Western European countries cannot find the means of paying for British exports, their demand for them cannot be indefinitely sustained. This must depress industry in Britain. Moreover, non-payment for British exports reduces Britain's capacity to import raw materials and, later, export manufactured goods. In any case, the fact that the United States are not buying as much as they are selling makes it impossible for debtors to pay them in full, and, being unable to pay them, their effective demand for United States' exports must decline. If that point is reached, everybody, including the United States, will be much poorer.

Both the International Monetary Fund and the draft International Trade Charter attempt to deal with the problem of convertibility. The Fund agreement provides that where the shortage of a country's currency is such as to prevent debtors from paying for goods received from that country, the International Monetary Fund may empower other countries to limit imports from the scarce-currency country in order to protect their balance of payments, and, in effect, compel the scarce-currency country to make more of its currency available by buying more. The Trade Charter also approves such action.

The weakness in these provisions is that, although they enable debtor countries to limit imports from countries which are exporting more than they are importing, this does not necessarily compel the creditor countries to increase their imports accordingly. It may, indeed, have only the effect of anticipating the insolvency of debtor importers by arbitrarily limiting imports from the creditor source of supply. This could only mean impoverishment in the debtor countries which now would be starved for imports, while it would ultimately bring a similar fate to the creditor exporter as the decline in external demand caused prices to fall and unemployment to spread.

One solution frequently suggested is that the creditor exporter should maintain the level of its exports by lending to other countries or their business concerns the difference between exports and imports. This, of course, would create the necessary financial counter-claims in the world money market to enable complete multi-lateral clearing of all trade accounts to be theoretically accomplished.