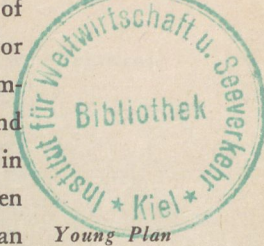


"It is impossible, of course, to dissociate the work of these delegates of the Financial Committee of the League from that of the committee which, in pursuance of the decision of the Hague Conference, will draw up the statutes of the Bank for International Settlements. * * * It rests largely with this organization committee whether the proposed bank is to be merely an agent for the collection and distribution of reparations, or whether it is ultimately to fill that ambitious place in the structure of world credit that has been intended for it by those far-seeing men who drew the Young Plan. It is evident that if some super-national institution can be set up to act, in fact, as the central bank of central banks, a tremendous step forward will have been taken in rendering the problem of a national control of gold ripe for solution. * * *"

Bank for International Settlements



Young Plan

In the middle of November, when an outline of the statutes prepared by the Organization Committee for the Bank for International Settlements became available, it was apparent that results tended toward the latter conception of the field for the Bank. This was apparently the understanding of the Statist's correspondent who was present in the city where the committee worked, for he wrote: "Since the bank is a complete novelty without anything like a precedent in existence—for it can be compared only to a very limited extent to the Federal Reserve Board; since it will presumably exist for generations, not only for the Young Plan's scheme of reparation annuities (until 1988) but thereafter also; and since it is to be not merely a reparation bank but a sort of international clearing house, a perpetual liaison between the existing central banks, a dispenser of credit and agent for the development of world commerce, and a money-maker for the benefit of its shareholders, who may ultimately be in greater part the general public—for these reasons and more besides the experts have had a difficult course to steer between those who want the bank to do great things and those who want it to do only small ones, between those who fear a 'super-bank' and those who dread to let the chance go by of establishing what may be a really useful organization for the stability of the exchanges, and the facilitating of international monetary and business transactions." The plan formulated during October and November for the Bank for International Settlements is to be considered by a conference of governments at the Hague in January, 1930.

Bank's Statutes

Stability in the general price level is a proper aim for a central banking system. Since too rapid an increase in credit will, by experience and according to theory, cause prices to rise there would be a safeguard for the reserve system against political or other extraneous influences if there were statutory recognition of the responsibility of the system with respect to prices.

Price Stability

The argument is not based necessarily upon an assumption that the reserve system has complete power over price levels, but only that it has a large influence. Stability in the general price level does not mean absence of fluctuation in individual prices, nor that there will not be minor changes upward and downward in the general level; it means stability in prices as a whole without changes upward or down-

Meaning of Proposals

(Continued on page 31)