

CSNY 11
Plus Section

MEETING 4 P. M. JUNE 20, 1944

No minutes which can be referred to as minutes.

Committees from 10:30 - 1 P. M.

Committee 1

Bulhoes - Brazil

Where no central bank - member shall "recommend" depository - Central Bank if there is any.

Cuba - Passos says country should "designate" depository. Bulhoes agrees. Basch says China said member should have right to refuse. Passos says no.

On currency ^{no} notes.

De Longh - depends on whether money can be made easily available -- White says demand liabilities.

White - Should Fund be able to decide how much in currency and how much in bills. The flimsy says Fund decides.

France - says Fund's holdings getting bigger may be result of inflationary situation -- if Fund holds in bills instead of currency augments inflationary tendency.

Razminsky - thinks bills only apply to original subscription.

White - No - could shift from one to the other if Fund doesn't object.

Razminsky - should be arranged between Fund and Central Bank. Fund should not be able to go into market and buy Treasury bills. Should be subject to approval of Central Bank.

Bernstein - flimsy leaves it open to put further currency payments into bill. Central Bank deals with Fund - operations won't affect money market necessarily. Depends on whether Central Bank holds reserves against Fund's holdings of currency. Relation of national private banks to central banks not affected by whether Fund has bills or currency.

White opposed to Fund eating into open market operations - no intention - non-interest bearing, non-negotiable securities.

Luxford - in flimsy left up to member country to put in demand obligations or currency.

Razminsky - doesn't agree with Bernstein. If deficit member banks have reserves - Central Bank may restore cash base but not want to increase its own holdings of securities.

White and Bernstein - Fund never holds securities of public.

Razminsky - If Central Bank buys securities and earns interest and Fund has non-interest bearing securities - then Central Bank is in effect earning money on the Fund's holdings.

White - Would be questionable source of revenue for the Fund. Fund can't earn money on it.

Goldenweiser - would limit whole business about obligations to paid in capital -

Basch - Main problem is Fund's operations - not subscriptions.

White - Country will pay charge on Fund's holdings above certain amount. If have country's approval - no problem. Then begins to talk of Fund holding interest bearing bills.

Opie - Refers to J. S. III-1 - should go on to say Fund shall only deal etc. - implied. White agrees. Also III-3.

Committee 2

Razminsky

- 1) Spent an hour on obligation to buy gold - White wants assigned questions.
- 2) Acquisitions of gold - p. 4.
7 a) b) c). Read a) from flimsy. Wondered if country could immediately buy back its own currency from the Fund - if had unwillingly sold its currency to the Fund for gold.

Opie objects strenuously to rephrasing of Joint Statement

Razminsky - should Fund be entitled to hold a minimum amount of some currency rather than gold.

Luxford - implicit that Fund can go back and get currency with gold. Of course might be merry-go-round.

Razminsky - says rewording in flimsy supposed to accomplish ^{the} some result. - Reads flimsy.
Didn't discuss basic provision - discussed only last sentence.
Retroactive adjustments - at end of year figure out whether average holdings exceed quota.
Suggested Fund might make payments only in next year - decided wrong.

Razminsky suggested that normally Fund should currently collect - if holdings clearly above quota. If not clear adjust after event

but no later than end of first quarter of next financial year.

Basch - What happens if Fund doesn't have enough of that currency.

Istel - off on double transaction involving spread -- country should always have option of paying in gold - or could say take account of spread.

Razminsky - Off on sell gold through Fund if can do so with equal advantage. Provision 7-b intended to preserve Fund's resources for those inadequately supplied with gold.

Razminsky - Canada - 100 deficit - 10 with gold, 10 with Canadian currency - do we have to redeem 1/2 of the 10 per cent? Razminsky says we should have to do so - no one else agreed.

White says this is academic - if Canada decides to buy with gold 90 through fund - should come under provision - but Canada can adjust itself to end up where it wants to.

Opie - back to equal advantage - might mean to prevent country from getting premium

Bernstein - afraid this would be bad - would never sell gold through the Fund. -- too much burden of planning. Would come to Fund only with local currency.

Razminsky - Can never be "equal advantage" -.

Bernstein - No - can never choose to sell gold instead of currency.

Basch - thought advantage meant only price.

White - Disagrees with Bernstein that will still sell gold through the Fund. What are the advantages of not requiring half payment in Razminsky's case.

Istel - Objects to 7 b) on principle - for countries which need large amounts of gold for reconstruction.

Gardner - points out that it is only a question of timing. Razminsky supports him. Istel says may never plan to reach 200 per cent of quota.

Opie - may not be able to choose time when you use gold for reconstruction purposes.

White - might consider gold needs - e.g. reduced contribution -- not make conversions all along the line.

Istel - apt to lose gold soon.

White - applies to most countries. - have not refused them access to Fund.

Razminsky - Obligation to buy gold from the Fund for national currency?
Refers to III-4-(b) - and IX-2. Most agreed that implicitly assumed. Americans said should be taken for granted - not cast doubt on it. Someone else said would force all countries to make national laws to that effect. - for buying and selling. - politically unacceptable to many countries. Question whether should be explicit.
- Also question as to selling gold - nowhere made explicit.

Monterros - Would be bad to make implicit - implies that old gold standard back. Monterros says countries would not accept this obligation.

White - doesn't mean return to gold standard - exchange rates can be altered. - can alter buying and selling price for gold.

Monterros - Quite different to have to buy all gold - tremendous inflation in Latin America.

Istel - Sweden refused to buy gold.

White - Has to maintain rates.

Razminsky - Country may not want gold - could allow its currency to be deemed scarce and rationed - instead of buying gold. Exchange rate won't appreciate.

White - No - only scarce in Fund - U. S. could offer gold to Mexico - either through Fund or outside.

Bernstein - even if currency declared scarce, Mexico no right to impose exchange controls.

Goldenweiser - purchases of gold don't cause inflation - its the sales of goods by that country.

Committee 3

Monterros - Governing Board and Executive Committee
- discussed secretariat's memorandum -

Monterros - suggest alternates not vote except when directors not present.

Think idea of annual meeting of Board bad.

Wonder if Board should be able to delegate all powers. - e.g. changes in general price of gold - also suspension of membership - also liquidating fund -

Want to limit.

Can groups of countries call special meetings, - as in July 10 draft. Also what about place of meeting as in July 10 draft.

Voting in Board - new draft only 25 votes as member - on special votes - when apply? - not in normal use of quota - only when exceed quota. Also question of 20 per cent limit on one country's vote being eliminated.

White - must delegate some powers for quick action. Luxford - if Board has power to delegate may not do so.

Hexner - might limit powers Board can delegate. worried about some members losing their vote entirely in the Executive Committee.

Luxford - Might name a few powers can't delegate - Monterros might name the three mentioned.

Committee 4

Setting up of the Fund

Hexner - When deposit evidence - obligations binding - there is implication that members will know their quotas. Question of non-members.

On 4 - Agenda for initial meeting - make provision for agreement on parties - how coordinate with IV-1 in Joint Statement, - which said agree on rate before membership. Then the flimsy must assume a state of conditional membership.

Question of interval.

How meet 1/20 for expenses?

On 5 - Three months after hostilities cease. Hexner-perhaps should allow Board to decide-not tie it down to cessation of hostilities.

Obligation III-5 - referred to in 5 - should be clearly explained.

White - Partial vs. full membership.

Hexner - have to agree with Fund - must be conditional members. China said the interval has to take into account her particular problems.

China - war will end later in Far East.

White - Hexner suggested extending interval for China.

Razminsky - How can you join - enabling legislation etc. before agreed exchange rate. Can't decide whether willing to join until know rate. Can't ask legislatures.

Forty-two countries can't set down and discuss rates.

Might establish an organization commission, with authority to act as Fund in capacity of agreeing to rates and quotas. Quotas can't be decided objectively.

White - Quotas must be decided first. On rates of course must know whole structure -

Major currencies pretty well settled - more progress will be made.

Might say will participate at x rate or withdraw if don't like rate.

White doesn't like Commission idea - too much uncertainty unless sure Fund coming into existence.

Istel - If determine after consulting Fund - will hurry countries into fixing rates - add confidence.

Tomorrow at 4 P. M.