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GENERAL MEETING - JUNE 23, 1944

Tomorrow: 10-12 or 12:30

Opie - meetings more formal tomorrow - wants definite break.
Gregory wants White to make statement on what has been discussed here so far.

Committee 4 - Taxation and Immunities
I missed the first part.

Hexner - On extent to which Fund's assets immune from restrictions.
Have new draft - (?)

Hexner - Suggests adding they shall be immune from search.

White - Will have complete texts of what being discussed tomorrow.

Hexner - Thinks Fund should be subject to suit in international court.
Would specify not subject to suit in national court. Question of U. S. acceptance of present international court.

Hexner - Reads new flimsy on protection of the assets of the Fund.
Restoration covers both de facto and legal depreciations.

Bernstein - Question of uniform change in gold values - might or might not keep gold value of Fund's assets constant.

White - Explains difference between Congressional power over gold value of dollar and the Secretary of the Treasury's power to alter buying and selling price of gold.

White - Says Fund's assets guaranteed in terms of foreign exchange value.

Rasminsky - Brings up obligation not to buy above agreed parity. White says if gold content of all currencies changed - that would change the parity - not the internal Congressional gold value.

Rasminsky - De facto unauthorized depreciation seems to be contemplated.

White - Might be violation of obligations to the Fund. Also might take a bit of time to get rate back within agreed range.

- Gardner - Off on question of how much resources thrown in to maintain rates.
- Opie - What about black market ~~change~~ - if country weak administratively. White says would depend on whether the black market was of serious proportions.
- Gregory - If Fund allows depreciation does country have to make this payment? White says yes.
- Hexner - Transferability of assets of Fund - reads flimsy - says assets shall be free from restrictions to extent necessary to carry on operations of the Fund. Hexner raises question of X-2 - if country hasn't accepted III-5 - question whether Fund will operate in that currency and where X-2 comes in. Problem of second sentence of III-5.
- White - X-2 restricts the nature of the operations. Therefore flimsy as read O. K.
- Opie - Distinction between conditional membership and full membership when have accepted III-5.
- White - Perhaps currency made available to Fund can be used only for certain purposes - e.g. not for capital exports. White doesn't see how could refuse use of that currency to pay for goods.
- De Jongh - Suppose assets transferred to another country - are they still free from restrictions as to their use?
- White - When come to Fund must need the currency for meeting adverse balance on current account.
- Bernstein - III-5 has two sides - depends whether country creditor or debtor on current account -
- contemplates that creation of newly blocked balances will eventually be eliminated.
 - Question of creditor - permits exports - others get its currency from the Fund - is there any thought that Fund could not sell its currency.
- White - Question of debtor country - whether multilateral clearing - buy from others if seller willing to take blocked currency -

- Approaching bilateral idea - would seem that a country should be allowed to sell goods on credit if it wants to.
- Opie - Assume Fund can do no wrong. If transactions in a given currency - whatever happens depends on what members are permitted to do.
- Hexner - Fund to decide what operations prescribed to it.
- White - Refers to July 10 - no bilateral clearing etc. - which Fund thinks hamper growth of world trade.
- Gregory - Says current transactions must be defined. White implies have given to a committee - (Not on flimsy on definitions).
- Istel - Sees no contradiction with X-2. Country won't come to Fund for the country's currency unless they can use it some way.
- White - Thought Fund was able to transfer free funds.
Opie nodding. Gregory shaking his head.
- Rasminsky -Of course country getting currency from the Fund can only get it for purposes in accordance with the purposes of the Fund.
- White - Only thinking of large or recurring amounts.
- Opie - Fund's resources are inter-inconvertible provided purposes for which want them are O. K.
- Rasminsky -You mean a member can convert its quota into whatever currency it wants.
- Opie - Countries which receive currencies from Fund convert it into other currencies.
- Bernstein -Member can't use Fund to get a third currency indirectly.
- Opie - Need international unit - currency got from Fund as good as gold.
- Opie - Finally says if get drachma from Fund can't convert it into another currency.
- Istel - Can't use Iran's currency to buy goods Iran not prepared to export.

Hexner - On distribution of income -

According to use of funds or quotas. No comments from general meeting.

Monteros -

On voting power - in election of Executive Committee - going to use quantitative criterion - rather than rotation or geographic representation. Voters can keep these points of view in mind.

Implies deviating from accepted international practice.

Use terms large and small countries etc.

Rasminsky thinks whole thing too complicated.

Monteros - really simple and in accordance with principle of proportional representation and with justice.

Once 1 of 6 elected - he represents a number of countries - Could he split his vote within the committee.

Polak says medium sized countries lose votes. Monteros approves of skimming off of surplus votes in favor of small countries. Smallest countries, according to Polak, have more voting power than in proportion to their quotas.

White says their votes negated or neutralized - don't count.

Polak - can't say some votes elected him and some didn't.

Fazos - Medium size countries have advantage of being able to rotate.

Bernstein - on surplus - throw off small - because big country can't get thrown off - representative would feel he had to represent that country.

Rasminsky - pushing marginal analysis too far.

Monteros - some difficulty in electing sixth member - majority determines who sixth member is. Afraid might not be a majority.