

UNITED STATES OF AMERICA
TREASURY DEPARTMENT

Nikesell
Fund

Bern, Switzerland
12 April 1946

AIR MAIL
American Legation

AIRMAIL

Subject: Report on lecture by Dr. Victor Gantier
on "Bretton Woods and Switzerland".

Dear Mr. White:

In a lecture at Geneva Dr. Gantier, who was formerly a director of the Swiss National Bank, at one time represented this bank in the United States, served as Swiss representative in the Currie negotiations, and is now connected with the Chamber of Commerce in Geneva, raised the following points in connection with Switzerland's eventual membership in Bretton Woods.

1. It was in Switzerland's interest that its quota to the Fund should be as low as possible.
2. As Switzerland would not be an original member the initial parity of its currency would be fixed by the Fund.
3. In his opinion the new rate should be 4.37 francs for one dollar as compared with the present rate of 4.29.
4. As a scarce currency the Swiss franc could be subjected to exchange restrictions by other countries.
5. Nevertheless, Bretton Woods offers undeniable advantages to Switzerland.

A summary of Dr. Gantier's lecture in the BIS Press Review (No. 72 of 11 April 1946) as reported by the Journal de Geneve of 10 April, is attached.

Very truly yours,

/s/ Walter W. Ostrow

Walter W. Ostrow
U.S. Treasury Representative.

Hon. Harry D. White,
Assistant Secretary of Treasury,
Treasury Department,
Washington 25, D. C.
Enclosure.

cc: Messrs. Glasser, Laxford, Nikesell,
Bernstein, Eddy, Gunter, Horne,
Brenner, E. Hubbard, Wood, Curtis

BANK FOR INTERNATIONAL SETTLEMENTS
PRESS REVIEWCURRENCIES AND EXCHANGE

Basle, 11th April 1946

Bretton Woods. BASL. NACHR., 10/4. "United Press" learns from a competent source that the interest rate for loans to be granted by the International Bank for Reconstruction and Development will amount up to 4%. Commercial banks participating in such issues would receive commission at 1%. Thus, these issues would produce a much higher yield than U.S. Government securities of a similar type. A spokesman of the U.S. Treasury has stated that the International Bank would also grant some short-term credits, but the bulk of its lending operations would consist of long-term loans.

JOURNAL DE GENEVE, 10/4, reports on a lecture on "Bretton Woods and Switzerland" given in Geneva by M. Victor Gantier, former Director of the Swiss National Bank. One of the most important questions to be considered before deciding on Switzerland's attitude vis-avis Bretton Woods was the size of the quota of contribution which Switzerland would be asked to make. It appeared that the Swiss contribution to the Fund would be in the neighborhood of \$250 million. It was, however, in the country's own interest to be allocated as small a quota as possible, for 1) as a creditor nation, Switzerland had nothing to expect from the Fund which would only work in favour of economically and financially weak countries; 2) this contribution was, in reality, an investment to which risks were attached which it was desirable to limit; 3) by joining, Switzerland would take part in a joint action of the big powers, which meant that Switzerland would practically have no say as to the employment of the funds which she would contribute. The second question to be considered was that of the monetary parity. This initial parity was of utmost importance particularly since it would not be an original member country, so that the initial parity would probably be imposed on Switzerland by the Fund. In the speaker's view such parity must by all means be around SF 4.37 in relation to the \$ and not the present rate of SF 4.29. There was anyhow no need to hasten a decision. It was preferable to await stabilization of conditions so as to permit of international comparisons which could not yet be made. Referring to some obscurity regarding the correct interpretation of the term "fundamental disequilibrium", which alone is admitted as a justification for a change in a monetary parity under Bretton Woods, the speaker expressed doubt that under this criterion the Fund would have agreed to the devaluation of the SF as deemed necessary by Switzerland in 1936. The third factor of outstanding importance was the position of the Swiss franc as a scarce currency. The Fund would be able to restrict the supply of such currency and, once a currency was formally declared scarce, any member country would be entitled to restrict the freedom of operations in such a currency. This, in the speaker's view, amounted to a penalising of the soundness of a currency. Thus the Swiss franc, as a scarce currency, would risk to be subjected to exchange restrictions imposed upon it from

Encl. #1 to ltr. # 4/12/ from Ostrow

abroad. While it would not be appropriate to pursue the matter too far in this respect and to regard such exceptional developments as a certainty, the fact remained that adhesion to Bretton Woods would affect Swiss prerogatives in monetary matters. To examine the inconveniences of Switzerland's participation, however, did not mean that such a step must be rejected. On the contrary, the speaker stressed the greatness of the aim pursued by Bretton Woods and the undeniable advantages which Switzerland would gain by being able to work with stabilised exchanges. Swiss adhesion would, however, be greatly facilitated by the suppression of restrictions, blocking measures, commercial and financial discriminations at present applied to the detriment of Switzerland.