December 16, 1942

FILES

Copy in

Mr. Goldenweiser

There was a meeting held yesterday in the office of the Secretary of the Treasury. In addition to the Secretary there were present: Daniel Bell, Harry White, and one unknown person from the Treasury; A. A. Berle, H. Feis, and Leo Pasvolsky from the Department of State; Frank Coe from the Board of Economic Warfare, Will Clayton from Commerce, and Ronald Ransom, E. A. Goldenweiser and Walter Gardner from the Board. Mr. Ransom was at the meeting in response to a last-minute request from the Chairman, who was unable to attend.

Mr. White made a brief report of the work that the Technical Committee had done in considering the White and the Keynes proposals for the establishment of an International Stabilization Fund. Berle reported that the British were about to give copies of the Keynes plan to some of the other countries, such as Russia and China. Berle and White had a talk with the Russian Ambassador about giving him a copy of the White draft and intended to do the same with the Chinese Ambassador.

The Secretary said that he wanted to thank all the members of the Committee for the work they had done and that at this stage he wanted to ask the Secretary of State whether it was agreeable to him, and then get the President's approval, for carrying on negotiations with technicians of other countries. Little was said about the actual work of the Committee, but some question was raised about the amount of this country's commitments. It seemed to be the general concensus that a commitment of about 2 or 2 1/2 billion dollars was the maximum that was contemplated. Mr. Gardner thought that under the terms of the White proposal as drafted this commitment could be ten times as large.

When the Secretary asked the representatives of the different agencies whether it was all right with them to have the document passed around among technicians of different countries as a basis of discussion, all the other agencies present agreed, while the Federal Reserve stated that, in the absence of the Chairman, it would like to have an opportunity to consult him. The meeting then adjourned.

Upon our return to the Board, Mr. Ransom and I got in touch with the Chairman and it was agreed that there would be no objection to the discussions proceeding further, provided I made it clear to Harry White that it is the Board's understanding that a commitment of no more than 2 1/2 billions is contemplated and that the text of the draft will be so modified as to leave no doubt on that score. I had a conversation with Harry White to this effect; a copy of my letter to him confirming the conversation is attached.

CC: Governor Ranson
Governor Szymczak
Mr. Gardner

EAG DR

C O P Y

December 16, 1942

Mr. Harry D. White, Director,
Division of Monetary Research,
Treasury Department,
Washington, D. C.

Dear Harry:

Confirming the substance of our conversation of yesterday afternoon, Chairman Eccles sees no reason why the draft plan of an international stabilization fund should not be accepted as a basis of discussion with foreign technicians, provided it is understood that the amount of dollars foreign countries would be able to demand under the plan does not exceed 2 or 2 1/2 billion dollars. This, I take it, is the intent of the proposal. Its specific provisions as now drafted are susceptible of an interpretation that would raise this amount several times. It is understood that a means of clarifying this point will be developed.

The Federal Reserve System's direct interest in this matter arises from the fact that the operations of the fund would add to bank reserves and to the problem of regulating credit expansion. It may not be difficult to absorb an amount that is not far in excess of the present Stabilization Fund, but a multiplication of that amount might make it difficult if not impossible for the System, under existing law, to discharge its responsibilities.

Very truly yours,

(Signed)
E. A. Goldenweiser,
Director of Research and Statistics.