Mr. Gardner

TREASURY MEETING - SEPTEMBER 17, 1943

U. K. - Keynes, Robbins, Robertson, Thompson-McCausland, Boster
U. S. - White, Bernstein, Luxford, Richardson, Berle, Pasvolsky, Livesey, Coe, Goldenweiser, Hansen, Gardner.

Keynes questions the advisability of requiring an 85 per cent vote to alter the gold value of the Unitas. He suggests a simple majority. While an individual country can hardly stop buying gold without drastic effects on its exchange rate, the establishment of an international agency would appear to offer an opportunity to curtail new production of gold, which Keynes regards as a waste.

White objects that this would give a majority of foreigners the power to alter the value of American gold holdings. This would be wholly unacceptable to our Congress. Berle assents. There is some discussion of the possibility of altering the effective price without changing the nominal price for internal reserve purposes. Since this might involve countries in valuing gold above market rates for reserve purposes, this too was regarded as unacceptable. Similarly the expedient of permitting countries to maintain their domestic gold price by altering their exchange rates correspondingly. This would involve too drastic an upset of exchange rates.

Keynes finally suggests that alteration in the gold value of the Unitas require 80 per cent, or a bare majority if it includes all those with a voting power of 10 per cent or more. This will be considered again at the next meeting.

Turning to the quota question, Keynes agrees with the idea that the United States should confine its contribution to 3 billion dollars, but wants larger foreign quotas. Furthermore he wants those quotas free of interference from the Fund. Beyond the quotas he would be prepared to see policing. If foreign quotas were 5, then the policing might apply to an additional 2-1/2. Including the United States, quotas would amount to 8 and an additional 4. Keynes insists that the Fund must contribute some reserves on which a country can count beyond question.

In general he questions the degree of interference that the Fund may practice in the daily international business of a country. He calls attention to the current account limitation (V 2a), the specific vote on capital transfers (V 3), the power of the Fund to withhold a quota (V 2d), the determination of what currencies are in good standing (V 1), and the recapture of accumulating reserves (V 6). A country can never know with certainty where it stands or how adequate its reserves are.

In the discussion of V 2(d) White and Bernstein both emphasize the unlikelihood of the Fund taking any action unless conditions get very bad. The discussion brought out eloquently the improbability of the Fund trying to interfere at an earlier date -- i.e. before a country had to resort to the Fund. Keynes took the extreme position that England would never use the Fund if the Fund had the power to impose conditions under V, 2(d). White felt that the powers could be reshaped so as to satisfy the British.

Bernstein stated on another point that the "good standing" phrase in V,1 means only that the country concerned has room left in its quota for the currency transaction. He will try to rephrase it.

Taking up V 2(a) Keynes is emphatic as to the deficiencies of balance of payments statistics even under the controlled conditions of war.