September 30, 1943

MEETING AT TREASURY - SEPTEMBER 29, 1943

Present: U. K. - Keynes, Robbins, Robertson, Opie, Thompson-McAusland, Baster
U. S. - White, Bernstein, Luxford, Richardson, Livesey, Pasvolsky, Brown, Coe, Casady, Goldenweiser, Gardner, Bourneuf

The Treasury presented calculations on the quotas of smaller countries.

There was some discussion of the accounting under the Keynes proposal as compared to the White Fund. Keynes said that under the White Fund the Central Bank's books show a big loss at the outset and that they could not count this conditional right to draw on the fund as a solid asset. Thompson-McAusland added that every purchase of foreign exchange from the Fund would increase the Central Bank's net foreign liabilities.

Keynes said that England was only willing to accept the obligation to maintain convertibility of its currency in terms of unitas as long as the fund was functioning properly - i.e., as long as England had unitas and the fund could provide any currency . London would refuse the obligation to use up its gold reserves to obtain a scarce currency. Keynes referred to the Treasury answers to questions 21 and 22.

White said it was only reasonable to expect England to use up a reasonable proportion of its gold reserves. It could not be released from its obligations just because the United States had stopped providing dollars through the Fund.

Bernstein claimed that as soon as a currency was rationed every country has a right to ration that currency in their own countries. White said no, not if it had ample gold reserves.

Robbins insisted that before extreme situations arose there would be consultation.

Pasvolsky objected to a country with adequate reserves limiting its purchases from the United States. - said it would be discrimination. He said all countries must be interested in basic stability of exchange rates.

Keynes claimed that once a currency is scarce and some countries are controlling purchases and sales of that currency - multilateral clearing has broken down and all obligations to the Fund should cease.

Robbins implied that if all countries could control imports and adopt exchange controls when any one currency is scarce the British would be satisfied.Keynes reiterated that a country which has exhausted its quota should be released of all its obligations.

Goldenweiser commented that this is a brand new problem since formerly all countries were obligated to sell gold to their own citizens at a fixed rate.

Next meeting Friday at 3:30.

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