

MEETING AT TREASURY

October 4, 1943

2 P M

Present: White, Bernstein, Luxford, Richardson,
Livesy, Pasvolsky, Brown, Casady, Hansen,
Goldenweiser, Gardner, Bourneuf

White suggested that the decision to ration a scarce currency be considered as an automatic granting of permission to all member countries to ration the scarce currency among their own nationals. Pasvolsky objected as far as countries with adequate gold and foreign exchange reserves. Bernstein explained the possibility of such a country being drained of its reserves, up to or even beyond the amount of its currency in the Fund, in conducting an entrepot trade in the goods of the country whose currency was scarce. The country's currency in the Fund would be made available to other countries at a fixed rate.

Pasvolsky was worried about the whole idea. He thought it would be unlikely that only the scarce currency would be rationed since you would have to have overall control.

Cohen suggested some special arrangements for loans outside the Fund of the scarce currency - the idea being that if such loans were made available the borrowing country would have no right to ration the scarce currency. It was pointed out that such loans would more easily and properly be made to the Fund.

Pasvolsky recommended that no country could ration dollars except after consultation with the Fund.

The discussion turned to the provision about giving notice to a country using the Fund unwisely. White suggested that at any time after a country's local currency in the Fund is equal to its quota the Fund should have power to give notice that the country can only draw 25% of its quota in the next year. After the 150% is reached the notice would be for 12 1/2% in the next six months. There was no serious objection to this suggestion.

Mr. Gardner suggested that the provision on exchange controls should be amplified so that it is clear that restrictions on the use of exchange arising out of current trade and service transactions are not allowed even in the immediate post-war period. Bernstein agreed.