

MEETING AT TREASURY

October 4, 1943

3:30 P M

Present: Keynes, Robbins, Opie, Baster, Robertson,  
Thompson, McAusland, Mead, Whaley. 1C

The Americans present at the 2:00 P M meeting.

Keynes brought up the provision that a country drawing on the Fund must be using its independent reserves at the same rate if it's independent reserves equal one-half it's quota. He considered that some provision of this sort might be justified but would suggest that it apply only if independent reserves are twice the quota.

Keynes proposed that the Fund should be able to force corrective measures on a member country only if the member is flagrantly breaking the rules or very near the limit of its quota - say has used two-thirds of its quota.

White explained the notice provision he had in mind. Keynes suggested that this might be possible if notice could only be given on the grounds that a country is flagrantly breaking the rules and by a three-fourths vote. Mr. Gardner pointed out that a country can be developing a chronic adverse balance even though not flagrantly breaking the rules. Keynes commented that a country could not be forced to give up a program of unbalanced budget expenditures to correct unemployment. He said he felt now that he had given the Union too much discretionary authority in his plan as published.

Keynes insisted that no major country could possibly be put in the position of getting the type of notice suggested by White. Robbins insisted that the whole problem could be solved in terms of quantitative rather than qualitative controls. He wanted a margin of surety before notice could be given. White and Goldenweiser were somewhat opposed to reintroducing any special three-fourths provisions. They were inclined to favor working out a statement of the conditions under which a country could be given notice. White commented that he was very sympathetic with Keynes' position.

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Hansen suggested that the way out was to make it possible for a member to withdraw on little or no notice. White and Bernstein and Keynes were not anxious to have the threat of speedy withdrawal available to all members who might get dissatisfied.

Keynes said that the British had finished their comments on major points and would like now to get the American reactions to the discussions of the past two weeks.

White explained the position that all members are automatically permitted to ration a scarce currency. Keynes said that this would mean the end of multilateral clearing and complete canalization of trade. He said that he personally would be willing to accept this position. He wondered if this would mean that all members could use blocked currency devices, prevent shipment of goods on certain ships and prevent the withdrawal of profits made in their country. White said they would have to consider those problems more carefully.

On exchange rates White suggested 10% aggregate unilateral changes, and that changes of a further 10% must be acted upon by the Fund within two days. He would not take the British suggestion that in the event of disagreement on a change in rates a country would have a right to withdraw immediately. Keynes said he thought White's proposal would have some chance of being acceptable to London. He was quite anxious that the clause suggested by the British to the effect that the Fund cannot refuse a change on the grounds of the social and political policies which may have led to the situation, should ~~have been~~ included.

Mr. Gardner pointed out that this wording is very general - Keynes agreed that it was meant to include a case in which a government reemployment or construction program had brought about an adverse balance which seemed likely to be chronic. Mr. Goldenweiser said he thought the Keynes provision was all-right. Whaley read a telegram from London proposing that consultation be required for any change in rates but not approval. Whaley argued that consultation would be equally effective. Keynes said he probably should have been stating such a position but had offered his suggestion as a compromise.

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Hansen and Goldenweiser favored easing withdrawal. Keynes said that the six months after a change had been refused would be impossible. Bernstein said that of course some reasonable alternative would be allowed.

White promised to draft an exchange rate provision.