MEETING AT TREASURY
October 7, 1943

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

The Treasury had distributed its "tripartite" mimeographed comparison of the latest published Treasury provision, the British suggestion, and the proposed compromise.

There was a long discussion as to whether the Treasury gold contribution proposal would get enough gold into the Fund. Gardner and Bernstein favored reducing the point at which reductions begin to "three times its quota" and making the upper limit 15% of a country's holdings. Bernstein suggested that gold plus $ should be at least 50% of the foreign drawing quotas and there was general agreement on that principle.

Bernstein was opposed to the British provision that a change on exchange rates shall not be refused "on the grounds of social and political policies". He wanted to say changes shall be granted only in cases of fundamental disequilibrium in the balance of payments. White refused absolutely - would start argument and reflect on Treasury policy in the 30's.

Goldenweiser presented and read a one page statement of agreements and purposes and undertakings. White agreed that such a statement might go in the preamble.

Goldenweiser and White agreed that the 10% change in exchange rates, which must be acted on in two days, should be phrased to cover any critical situation - not limited to once in ten years or anything of the sort.

There was a long discussion of how, under V, to safeguard the Fund against acquiring blocked currencies. It was agreed that it would be stated explicitly that no country can block exchange arising out of current transactions.

White explained that the provision about a country drawing on its independent reserves at the same rate as it draws on the Fund was omitted by mistake. The British had objected unless a country's gold and foreign exchange holdings were three times its quota. Bernstein was ready to make it equal to a country's quota.

Bernstein said he would fix up the provision about being required to sell ½ of added gold and foreign exchange reserves so that a country which simply decided to hold its reserves in gold instead of dollars would not have to sell the gold.

Meeting at Treasury
October 7, 1943, continued.

It was decided to omit the word flagrant under V. White and Bernstein said they had omitted the phrase "when the local currency holdings exceed its quota" by mistake in redrafting V. 1C

Bernstein said that in spite of the 25% notice clause a country could not exceed the limits imposed by the 125, 150, 175, and 200% clause covering the first four years.

White ended on the note that we might go back to the gold contribution formula as in the mimeographed document.

It was agreed that the document with the discussed changes would be the limit of the U. S. concessions.

The British document arrived and was distributed.

2:45 P M (Mr. Coe did not return).

Goldenweiser suggested that the U. S. present the Treasury gold formula as drafted in the Treasury document distributed in the morning - i.e. 25% of quota if gold and foreign exchange holdings are four times its quota and no country required to put in more than 10% of gold and foreign exchange holdings and stand on that rather than try to bargain.

The British document was read and discussed in some detail and it was agreed that Bernstein would draft suggestions for alternate language.