MEETING AT TREASURY
October 8, 1943

uk

Present: Keynes, Robbins, Opie, Robertson, Baster, Thompson McAusland, Whaley.
White, Bernstein, Luxford, Richardson, Berle, Pasvolsky, Brown, Livesy, Coe, Cohen, Goldenweiser, Gardner, Bourneuf.

The discussion was directed to the U. S. Treasury's Oct.8 redraft of the British document presented October 7th, in mimeographed form - a statement of principles as a directive to the drafting committee.

White proposed, and it was agreed, to omit any reference to a drafting committee and say that these principles would not be submitted to governments for final approval until they had been embodied in definitive proposals by a Conference of delegates of the United and Associated Nations. White said would definitely not call a conference until the technicians and finance ministers had agreed on the statement of principles and on certain "minutes". For the time being some statements in the minutes will be left as points of disagreement, just as in the statement of principles.

Several governments will be asked to approve of the principles. The United States hopes to avoid any Congressional debate on the principles. The British will discuss them in Parliament. It was agreed that there would be no publication of a proposal by the drafting committee and that the publication of the statement of principles must be simultaneous.

It was decided, at Mr. White's suggestion to add "and to avoid competitive exchange depreciation" to 2(i), to rewrite 2 (ii) to bring out the importance of the elimination of restrictions, and to add "give confidence" under 2 (IV).

On 3 (i) it was decided to say "formula to be agreed" and to add that quotas would aggregate $10 billion for the world as a whole. On 3 (ii) it was impossible to reach any agreement. White insisted that the strong should help the weak and Gardner brought up the fact that countries having contributed free gold will have more interest in wise management of the Fund and in seeing that the gold did not all flow to the U. S. Keynes said the gold would all flow to the strong creditors in the U. S. plan. He suggested that the problem might even be left to the drafting committee. Berle seemed to favor this idea but White said the U. S. would not go into any conference unless this point had been made clear. After much discussion it was agreed that the document could not be published until this point was settled. Keynes implied that the U. S. was really trying to get all the gold in the world and Pasvolsky repudiated this idea completely. Robbins tried to emphasize that pledged gold contributions would add security and White and Gardner said that it would

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be perfectly allright to contribute more gold to be held as security but that a minimum amount had to be freely usable by the Fund to protect the Fund's ability to provide strong currencies, which in any case, was not sufficient to meet all demands. At this stage Keynes suggested reducing foreign drawing rights and eliminating the gold contributions.

Berle insisted that some compromise could be reached. The matter was left for later consideration.

Keynes agreed that 3 (iii) (a) of their draft could be omitted - meant it as a way of allowing a country to exceed its 200% limit.

In 4 (ii) Thompson McAusland objected to the insertion of the word "needed" and White agreed to drop it. Thompson McAusland felt that any country should be allowed to decide how much to hold in balances aborad.

Keynes objected strenuously to 5 (ii) (a) (predominantly on current account) - and White agreed that this provision could be omitted and the matter taken care of under capital transactions.

Keynes objected violently to 5 (ii) (c) - had expected precise conditions governing notice to be stated. White presented him a copy of the complete provision as inserted in the Treasury document of October 7th, but Keynes was no better satisfied and it was decided to leave all of 5 (ii) to be taken up in the minutes.

On 6 (i) White explained that the approval of the country was brought in to take care of exchange restrictions but it was decided to take care of that elsewhere and to adopt the British 5 (i) but add the words "or with gold".

6 (ii) was left for the minutes.

6 (iii) It was decided to say "is expected" instead of "may".

On 7 (IV) the British felt that some "stated principles" should be agreed on . It was agreed to try to put something in the minutes although White doubted if any statement would be acceptable to the U. S. It was decided finally to rewrite 7 (IV). The British wanted their own 6 (IV) and 6 (V) but White objected to disequilibrium "in the balance of payments" and refused to take the last clause in the British 6 (V).

A rephrasing of 7 (V) was agreed on to make it clear that it was a further change of 10% which must be decided on in two days. The British wanted a right to unilateral changes of 10% in each 10 year period since the establishment of the Fund and White agreed to it.

There was a long discussion of the British 6 (VII) calling for further provision for flexibility in the first three years. Keynes said his instructions from London were very definite on this point and that it was not only for liberated areas. Keynes wanted this provision as an instruction to the Fund, not thinking in terms of unilateral action. No agreement was reached.

Continued 2:30 P M.

Keynes objected completely to 8 (ii) - they would agree to some provision in respect to the Fund's holdings of a currency beyond the amount of a country's quota. Keynes was positive that the Russians would not agree to this. Bernstein suggested that if all countries were forced to sell gold through the Fund this provision might be omitted but Keynes did not like that idea. Thompson McAusland suggested that the British might consider foreign exchange differently. Keynes said he was worried about agreements on the part of countries to hold each other's currencies and would insist on "gold convertible" rather than "free" currencies.

When it came to 9 the British said they must insist on the whole of their own capital provisions. It was decided the first part of the British first sentence could be used. The Americans refused to accept the British idea that their own controls be the judge of the wisdom of their capital transactions and the other idea that it was allright to finance a $1 billion outflow of capital with gold and at the same time draw on the Fund to meet a $1 billion adverse balance on current account.

The British saw no need of 13 (iii) at all. They wondered if this meant that a country could not impose import quotas or limit tourist expenditure abroad. It was agreed by the Americans that (iii) could be left out if it was covered elsewhere. The British finally admitted that they didn't like (iii) because it contradicted (IV) and White finally decided that (iii) would have to be omitted although many had hoped that all restrictions on current transactions could be dropped immediately after the war.

The British were disgusted with 13 (VI) bringing in current account again. They suggested saying that "holdings shall be freely transferable subject to the provisions of the plan".

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Keynes then reiterated that London was not ready to give up the monetization of Unitas. He summed up the other points of disagreement as 3 (ii), 5(ii) (a), 5 (ii) (c), 6 (ii), 7 (VII), 8 (ii). / C

Luxford then presented a version of 7 (VII) which seemed to have a chance of satisfying the British.