7

MEETING AT TREASURY - OCTOBER 9, 1943   11 A.M.

Present: Americans at 10 A.M. meeting
Keynes, Robertson, Baster, Whaley, Thompson-McAusland

The October 9 U.S. redraft of the British directive was distributed.

Keynes asked to have the British proviso about the monetization of Unitas inserted. He said the British were preparing another draft of the directive in their language and thinks one or the other, of course, must be chosen. He said he had discussed this matter with London on the phone several times. He feels it is not a question of substance but of language. London seems to think it is a question of substance.

White said 2 (iv) had been omitted by mistake.

On 3 (i) Keynes said he wanted the Fund to have only working balances at the Bank of England, the rest should be in non-interest bearing, non-negotiable bills payable on demand. White suggested putting this in the minutes.

When it came to 3 (ii) Keynes suggested that wherever, as in this case, there was no agreement that both the U.S. and British provisions be inserted in the directive.

Keynes said that on 5 (ii) he would like to substitute the British 25 per cent per year formula and add to (b) "The fund will not give notice unless the Fund's holdings have either increased by more than 25 per cent in the previous year or unless the fund's total holdings are over 166-2/3 per cent. White said this was completely unacceptable and it was decided to leave this as a point of disagreement. Both Keynes and White wanted to keep the 200 per cent limit. It was decided to insert in the American provision notice "of a year to six months".

On 6 (i) Keynes suggested adding "subject to 13 (iv) and the phrase "legally acquired" and omit the phrase in brackets about defining "acceptable" to cover exchange control.

On 6 (ii) the British see no hope of compromise, so the British provision will be inserted.

On 6 (iii) it was decided to add "provided it can do so with equal advantage.

On 7 (v) the British said they didn't care which of the alternatives was chosen. At Berle's suggestion the word "domestic" was inserted before social and political policies.

On 7 (vi) Keynes wanted to word it so that a country could make a unilateral 10 per cent change in any 10 year period since the last change. White said he couldn't possibly yield on this.

7

1C

Keynes agreed to accept 7 (viii) and remove the square brackets indicating an area of disagreement.

On 8 (ii) White and Bernstein decided they could meet Keynes and have it only the excess above its quota but then Keynes said the British insisted on "gold-convertible currencies" rather than free foreign exchange and the whole thing was left up in the air.

There was a long discussion on capital transactions. White seemed inclined to give in to the British until Gardner pointed out what they meant by outflows of capital financed out of their own quick reserves, and approved by their own controls. Keynes insisted that outflows could be financed by gold and adverse balances through the Fund and that the Fund could not tell England how to run its own exchange control. No agreement was reached.

Keynes suggested that 13 (iii) and 13 (vi) should be in the multilateral clearing section if anywhere. He doesn't think 13 (iii) is at all necessary. White and Bernstein said this was supposed to apply even to the immediate post-war period and then when Keynes said it was impossible White gave in. Keynes said 13 (iii) was inconsistent with 13 (iv) in the short run and covered by 6 in the long run. Keynes wanted to add restrictions "on current transactions" in 13 (iv) so it would be clear that sterling blocked in the past was not referred to.

A new copy of the directive is to be prepared. White repeats that it is not to see the light of day until agreement has been reached.

Then, at 1:30 p.m. a copy of what White called the "minutes" was distributed - an almost complete copy of the latest published White plan - every provision in full and lots either inconsistent with or repeating in different words provisions now in the directive.

Keynes was amazed, and flatly refused to read or discuss the thing when he began to see all the old provisions such as "predominantly on current account" - subscription of and investment in securities, etc.

White stood his ground and said if they didn't want to discuss it at 4:30 they didn't have to but that the U.S. would not go into a conference until there was agreement on the minutes.

(2)