

TREASURY MEETING - JANUARY 11, 1944

Russia: Professor Smyrnov
Mr. Bystrov

United States: White, Bernstein, Luxford, Richardson
Coe, Angell
Pasvolsky, Livesey (late)
Goldenweiser, Gardner, Bourneuf

Smyrnov had the draft which the Treasury sent us on January 7. Mr. Bernstein told Mr. Gardner this was an old October draft and that there was a January draft in process and that this explained the use of the terms "available" and "acceptable".

Smyrnov said he had a few questions. He wanted to know why the term "unitas" was dropped and the word "parity" substituted for "exchange rate". White said this was merely a change in language.

Smyrnov then asked why the provision for a uniform change in gold values with an 85 per cent vote was dropped. White said the new provision for majority vote plus approval of all countries with 10 per cent of the gold contributions (?) accomplished the same thing - evidently referring now to the Joint Statement of principles.

Smyrnov asked how quotas with an \$8 B fund would compare with the quotas worked out by the Treasury in June. Bernstein said they would be substantially the same - that the \$10 B in June included the whole world.

Smyrnov asked whether V-3 meant that the quota could be used up only during (?) 4 years. White explained and pointed out that exceptions could be made. At this stage Mr. Gardner commented that such exceptions required a special vote with special allotment of voting power.

Smyrnov asked if V-4 was consistent with V-3 and White said that V-4 governed at all times. White said it had been a subject of disagreement with the British - that he didn't expect it would be used much - except in special cases of small countries adopting obviously unwise policies.

Smyrnov asked why all provisions about blocked balances were omitted and White said the British preferred to make separate bilateral arrangements and that the Fund wasn't big enough to handle them anyway.

In answer to Smyrnov White agreed that V-9b authorized restrictions only on the scarce currency and went on to say the fund would try to borrow before a currency became scarce.

White explained that VI-3 which says Fund accounts will be kept at the Central Bank had been implicit anyway.

Fund
can
decide
which
to
lend
or not

Each
country
can
ration
sales
of
scarce
currency.

Smyrnov asked where the Fund's gold would actually be located. White said no decision had been reached. Bernstein and Cardner commented it should be up to the Fund.

Smyrnov asked why the statement that the Fund should be used only for the benefit of member countries was omitted. White said it was omitted mostly because it would be difficult to interpret and enforce - could be reinserted.

Smyrnov then asked about procedure. Was there to be a conference, and a final draft? Would the Bank be discussed at the Conference?

White said no decision had actually been made to call a conference and that no conference would be called without a preliminary understanding on the basic principles among the technical experts. Explained the existence of British-American statement and fact that there are still some unsettled points. He said drafts of both the Fund and the Bank would be considered at the formal conference. These drafts would be prepared just before the conference by a drafting committee of representatives of the four major committees and a few others - the drafts would have to be prepared on the basis of the accepted statement of principles.

White said he would now give the Russians copies of the statement and that the British are showing it to the Dominions and India. The idea is to publish such a statement as the view of technical experts. This would not preclude addition of minor points and some alteration in the Conference. Mr. White gave a new typed copy of the non-unitas version showing British and American differences and also a copy of the unitas version saying that the British wanted both versions shown but that the U.S. definitely preferred the non-unitas version. He asked the Russians to cable the non-unitas version to their finance minister in order to prepare for getting their government to approve their adherence to the principles. He said the joint statement was almost identical with the typed draft of the White plan they had been studying.

White said he would like the Russians to study the statement of principles and give their views, as well as ask any questions. He said we would have a meeting on the Bank later. White asked where the other three Russians were and explained that he was pressing the negotiations partly on account of elections.