TREASURY MEETING - JANUARY 31, 1944

Present: White, Bernstein, Luxford, Bitterman, Richardson, Cohen, Angell, Clayton
Collado, Brown, Livesey, Pasvolsky
Goldenweiser, Gardner, Bourneuf

White said he was willing to agree with the British on the title "International Monetary Fund". Then White turned to the underlined portions in the January '44 draft of Joint Statement of Principles.

There was a long discussion of the clause on enforced deflation in the preamble. There was general agreement that it could not stand since it would be interpreted to oppose any measures such as raising interest rates and the conservatives would object strongly to it. All agreed to change the last sentence in the preamble to say "national and international prosperity" and leave out the word "extreme".

White said some principles would have to be arrived at in determining holdings and that agreements between member countries and the Fund would put the United States in a weak position. All agreed that some principles should be agreed but that agreement should be left to the formal conference. U.S. position would be that what one country counts as a liability would have to be counted as an asset by the other country.

Mr. Gardner said he thought the word "official" should be left in the Joint Statement but Bernstein and Angell and others finally agreed that it should be left to the Conference.

All agreed to accept 4(5) as British have it.

On 4(6) White and Bernstein argued that we should allow the British position on new gold -- that the phrase "equal advantage" could be used in any case to prevent selling gold to the Fund and that the public would prefer to think that ordinary procedures for marketing new gold would not be interfered with. Mr. Gardner pointed out that this was quite inconsistent with Keynes' earlier emphasis on the Fund's ability to acquire gold from new production and that the Fund may not catch it under 4(8).

On 4(8) White said the British were proposing real changes. On the second part of 4(8) it was decided to insist on the U.S. position that each country must repurchase with gold until 25 per cent of contribution in gold.

There was a long discussion on the first part of 4(8). Bernstein pointed out that seasonal adverse balances within the year would not bring gold into the Fund on the British formulation. It was decided to stick to the U.S. language of 50-50 payment to the Fund but provide for a yearly balance and corrections at the end of the year. Mr. Gardner pointed out, and White and Bernstein agreed, that under the British formulation no gold would actually have to come to the Fund. White and Bernstein felt this was especially important in the case of gold flows to non-member countries.

On 6(1) it was finally realized that the "spirit of the clause" means nothing since it refers at most to the previous two sentences. It was finally decided to insist on the American provision that the capital movements must be consistent with the purposes of the Fund but omit the phrase about impairing the ability of the country to meet its obligations to the Fund.

All agreed to stand on the non-unitas version. White thinks the British will accept it.

All agreed to accept the British addition of a reference to 4(5) on page 6.

Angell wondered if 11(3) means anything since it refers to 10(3) which is itself negated by 11(1).

White said he was very anxious to bring in China, Mexico, and Brazil before final agreement is reached. The British have objected. Pasvolsky and White agreed that we didn't want to approach these countries until the British dropped the monetized version. White said this wasn't too good a time to approach China. Collado mentioned that the Inter-American Committee wanted to have something to do with bringing in the South American countries.

AB
Feb. 4, 1944