

Memorandum of a Meeting in Mr. White's Office
February 22, 1944

Present: Mr. White
Mr. Opie
Mr. Bernstein

Mr. Opie informed Mr. White that he had received word from London regarding Mr. White's telegram of February 3, 1944, on the Joint Statement.

On 4-8(b), U. K. technical men agree that the obligation to use part of an increment of gold to repurchase local currency is to be applicable until the Fund's holdings have been reduced to 75 percent of the quota.

On 5-1, U. K. technical men agree that the purchase and sale of foreign exchange by the Fund shall be subject to a "fixed charge". This will replace the words "fixed commission."

On 6-1, U. K. technical men agree that the Fund would not prevent the use of a member country's resources to meet an outflow of capital "provided such capital movements are in accordance with the purpose of the Fund."

On 10-3, U. K. technical men agree to the verbal changes suggested in our telegram.

On 11-4, U. K. technical men agree to dropping specific mention of benefit of doubt on exchange rates. The last sentence of the Preamble will be amended to read "without resorting to measures destructive to national or international prosperity."

There were some points in our telegram on which London had specific comments.

On 3-2, U. K. technical men agree to the wording, but add: "We have been unable to devise a single principle applicable to the varying practices of the different countries. We have no objection to the conference being given an opportunity to find one, if they can, provided it is clearly understood that some equitable definition must be provided suitable to the different individual cases."

Mr. White pointed out that this was equivalent to having a separate determination of the gold and gold-convertible exchange

holdings of each country. This would be difficult but not impossible for the initial gold contribution. It would not be feasible for the provisions of 4-8. Mr. White said that he would put the question to the American Technical Committee. It would be helpful to have a clear statement from London on the offsets they regard as applicable to the official holdings of gold and gold-convertible exchange.

On 4-5(a), U. K. technical men agree with the point made in our telegram, but feel that in the interim between the time part payment is made in gold for exchange sold by the Fund and the time that the adjustment is made, a country's gold position would appear to deteriorate. After further discussion, Mr. White said he would propose to the American Technical Committee the following wording (the change is underlined):

"4-8(a) So long as a member's holdings of gold and gold-convertible exchange exceed its quota, the Fund in selling foreign exchange to that country shall require that one-half of the net sales of exchange during the Fund's financial year be paid for with gold."

The Joint Minutes might include a statement to the effect that the Board of Directors would be authorized to prescribe regulations for carrying out this provision and for making adjustment from time to time during the Fund's financial year to take account of over- or under-payments in gold under this provision.

On 11-1, U. K. technical men prefer not to state explicitly that the transition period is three years. The objection is not to the duration of the period but to the effect of the statement on domestic measures for reconversion which are also stated in terms of a transition period. Mr. White expressed the opinion that 11-3 was sufficient definition of the transition period. It requires a member country to consult with the Fund on any exchange controls not abandoned within three years after establishment of the Fund. The question of language will be put to the American Technical Committee.

Mr. White told Mr. Opie that delay in publishing the Joint Statement was embarrassing to us. Many countries are inquiring about developments on the Fund, and it becomes increasingly difficult to meet such inquiries with the reply that we are making progress. In this country, too, there are many who believe that there must be serious disagreement with the British on some matters or else there would not be such long delay. Mr. Opie said he had expected to hear from London last week on the "monetized version" and on procedure. He would again urge on London the desirability of going ahead promptly.

E. M. Bernstein