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MEETING AT TREASURY - MARCH 7, 1944

Present: White, Bernstein, Luxford, Friedman, Richardson, Pasvolsky, Brown, Angell, Maffry, Cohen, Goldenweiser, Gardner, Bourneuf, Chichulin, Smyrnov, Bystrov, Morozov.

Smyrnov said the comments would refer to both the Joint Statement and the detailed Fund draft. On gold the Russians suggest

- 1) flat 15 per cent of quota gold contribution for all countries except that occupied areas contribute one-half as much;
- 2) elimination of 50-50 gold payment provision 4(8) first paragraph;
- 3) provide that provision to use one-half of gold accumulations to repurchase currency 4(8) second paragraph not apply to newly mined gold.

These suggestions would not threaten the strength of the Fund and would help many countries to become members and enable them to use their gold for reconstruction.

Suggestion 1) seems reasonable since it is the quota which determines how much a country can borrow.

As for 2) the Fund will get enough gold because countries will ordinarily sell their gold through the Fund.

As for 3) it seems unreasonable to expect a country accumulating newly mined gold to use it this way if it has an adverse balance.

In reply to White's question Chichulin said he intended the 15 per cent to apply even though a country did not have enough gold or if it took almost all of a country's gold.

Smyrnov then suggested that the gold holdings of the Fund should be decentralized and kept in U.S., U.K., Russia, and China. In reply to White he said they had in mind no special proportionate distribution.

Smyrnov then suggested that the 4 above named countries should each have at least 10 per cent of the rates and should each have a representative on the Executive Committee.

Smyrnov then referred to the detailed Fund draft and said that the provision stating that each member country must give consideration to the views of the Fund on policy can not apply to countries carrying on State trade. And the provision about furnishing information and reports to the Fund should be revised as follows: "The member countries will furnish the Fund with information and reports in the form agreed upon between the member countries and the Fund."

White said we would comment today and also make further comments after a meeting of the American committee.

White said the words "give consideration" are very weak and he did not see how the Russians could object -- had been so phrased as to be acceptable to all countries.

White said he agreed that the 4 major countries should be represented on the Executive Committee and assumed it would work out that way. He did not want to say so explicitly but would work on a formula which would have that result.

On voting power White said Russia would probably have 10 per cent and China would be the only one of the big four with less than 10 per cent. White again did not favor an explicit distinction for the big 4.

White said that certain information would be absolutely necessary for the Fund -- that perhaps something could be worked out to limit the information the Fund could request to really necessary information. Maffry suggested that the Fund would only ask for information of a kind a country would usually be willing to give. White said gold and foreign exchange holdings are certainly necessary information.

Mr. Gardner explained that the gold repurchase provision simply required all countries to contribute at least 25 per cent in gold and that a country accumulating gold should bring its contribution up to 25 per cent whether its gold was newly mined or acquired from abroad. White repeated that repurchase only applies if currency in Fund exceeds 75 per cent of quota. Bernstein said the principle was that a country should not use the Fund to get foreign exchange if it was building up idle gold holdings which it could use. If a country uses its gold for reconstruction it will not be piling up larger gold holdings. Bernstein wondered if the Russians were concerned with allowing a certain time lag before newly mined gold entered reserves but they said no. White emphasized that the main principle of the Fund was that the gold strong countries help the gold weak. Maffry said that newly mined gold should be treated as other gold since it regularly enters the balance of payments of many countries.

White said he thought the place gold was held could be left for decision at the Conference.

White said he did not understand why the Russians wanted to eliminate 4(3). He felt this was an important way to strengthen the Fund without weakening any country. It simply slows down the rate at which any country can draw on the Fund if it has more gold than its quota. White explained that the Americans originally wanted this to apply to every country with gold = 25 per cent of its quota.

Bystrov said the 75 per cent repurchase provision meant that there was no need of 4(3). He also said that there was little danger of the Fund accumulating excessive amounts of any currency since the amount is limited elsewhere in the draft. He did not think the 50-50 provision was proper since it might apply even to a country losing gold.

White again said the Fund's resources were supposed to be available to those needing them. White then commented that payment for half of the foreign exchange or gold is not a loss to the country since it can get more foreign exchange with local currency later.

White said he didn't think that the flat 15 per cent of quota would make Russia's gold contribution much larger than under the present formula. Of course if special clause for occupied countries, that would make a big difference.

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