

TREASURY MEETING - APRIL 3, 1944

Present: White, Bernstein, Luxford, Richardson, Coe, Angell, Maffry, Livesey, Brown, and Young, Cohen, Goldenweiser, Gardner, Bourneuf. Very late - Collado and Pasvolski.

White said the meeting was to discuss answers to the British suggestions brought over by Opie.

On quotas White said the British suggestion increased total quotas, assuming world membership, from 10 to 11-1/2 or 12 billion dollars and that he thought it was very dangerous to increase total quotas. There seemed to be general agreement. White then said the British suggesting of setting specific quotas in the joint statement was unacceptable -- that it was bound to cause trouble. Goldenweiser agreed it was not suitable to do in the joint statement. Then White said the British principle of doubling quotas of small countries ended in the British Empire having more votes than the United States and thought this was completely unacceptable also. Maffry and Coe agreed. Bernstein commented that even on the U.S. formula the United States might have a few less votes than the British Empire and White said he thought it should be altered to prevent that possibility.

Gardner suggested that the actual principle for determining quotas might be left to the Conference. White said that would be possible provided U.S. and British quotas and total quotas settled beforehand and remembering also the U.S. commitment to give Russia 10 per cent of the quotas and China the fourth largest. Gardner said we had not committed the British to giving the United States a larger vote and White said he would tell Opie that was the reason we could not accept the British quota suggestions. Bernstein said it was reasonable perhaps to increase the quotas of some of the smaller countries.

Bernstein then distributed copies of suggested Treasury replies on the other points.

All agreed on the Treasury rewording of 3 (2).

White said he thought it would be a great mistake to yield to the British on 4 (2)(c). It would amount to recognition of the British idea that gold contributions should be pledged -- a member could draw up to the amount of its gold contribution without question. There was general agreement to stand firm on the U.S. position. On the Australian suggestion of allowing 33 per cent a year to meet large seasonal needs -- there was some discussion of adding a clause to the effect that the Fund would pay attention to several needs although it was pointed out that these needs are most easily met outside the Fund. Bernstein suggested that seasonal needs could be considered in determining the quota.

On IV-2-(d) White and Bernstein said they had no objection to allowing time for a reply before notice is given -- on the basis that the Fund could institute action before a country had drawn its 25 per cent and that the Fund could determine how much time should be allowed for the reply. White suggested that the Fund could make delays in any case but Gardner and Bernstein thought not and pointed out that the Fund had to keep selling exchange even after notice had been given.

On IV (2)(c) - Luxford suggested that the words "to the advantage of a member" could be omitted if the words "provided that" in the opening clause of 4-(2) were changed to "on the following conditions" and White thought this would be acceptable.

On IV-5 White said the Treasury suggestion was merely a change in language.

On 8 (1) White said the British idea of a Board of Management consisting of technicians was a radical departure from the idea of an Executive Committee representing the members; Goldenweiser and Cohen and Pasvolski agreed that the Executive Committee must be kept. Pasvolski thought it was necessary to decide how the Executive Committee would vote. White said he had intended that decision to be left to the Conference but Cohen and others pointed out that if each member of the Executive Committee was not to have a single vote that it would have to be made clear in the Joint Statement. Pasvolski suggested that 8 (2) read that "the distribution of basic voting power in both the Board and the Executive Committee shall be closely related to quotas". White was inclined to leave out "basic" and "closely" in order to provide a great deal of flexibility. White thought that it might be arranged to delegate only certain kinds of decisions to the Executive Committee and also that any member of the Executive Committee with 10 per cent of total votes might have the privilege of referring a decision back to the Board. Bernstein and White finally decided the word "closely" should be kept. White mentioned that we had promised the Russians that the five countries with the largest quotas would be represented on the Executive Committee. There was some discussion as to how voting power would be determined in the Executive Committee so that all countries would be represented and White said a special committee at the Conference would have to work out the details.

There was some discussion of the Treasury rephrasing of the section on purposes and policies. Goldenweiser suggested changing "the primary objective" to "a primary objective" in I (2). White said he would add at the end "The operating policies of the Fund should be determined within the framework of the purposes and policies above" -- All agreed. Gardner asked if these purposes represented commitments of member countries and Bernstein and Luxford said this would not be possible.