

WORLD FUND and BANK Inaugural Meeting



MEETING OF THE BOARD OF GOVERNORS
OF THE INTERNATIONAL MONETARY FUND

Held at Savannah, Georgia on
March 16, 1946, 9:00 o'clock p.m.

MR. VINSON: The meeting will come to order.

The Chair recognizes the Governor for Greece.

MR. ZOLOTAS: Mr. Chairman, I should like to communicate to the Board of Governors the letter the Greek delegation has sent to the Chairman:

"In the session of the Board of Governors the morning of March 13, 1946, among the applications for membership of various countries was that of Italy.

"The Greek Delegation notices with pleasure the increasing interest among other countries for participation in these institutions. However, with regard to Italy, we think that a matter of principle is involved which should be carefully considered by the Board of Governors.

"This principle is whether a former enemy country which has not yet signed a Treaty of Peace should be entitled to apply to the Fund and the Bank for admission to membership.

"The Greek Delegation has the honor to express the opinion that the Board of Governors should issue a resolution to the effect that application of such countries should not be considered."

MR. VINSON: Gentlemen, upon receipt of this communication from the Governor for Greece, it was presented by your Chairman to the Procedures Committee for their consideration. The Board will recall that before its receipt, action had been taken in regard to the application of Italy for membership and that it had been referred by your Board to the Executive Directors for study and report to the Board of Governors.

It might be well to say that the Governor for Yugoslavia associated himself with the Governor for Greece in regard to the Italian matter. The consideration of the Procedures Committee was upon the letter from the Greek Government. After consideration and discussion, your Committee on Procedures came to a conclusion which it reports to you substantially as follows: That the communication presented by the Governor for Greece should be placed in the official records with instructions that it would be before the Board at a later date when Italy's application will be considered. In the meantime, the Executive Directors will not be precluded from considering technical problems incident to the application.

The Chair recognizes the Governor for Greece.

MR. ZLOTAS: The Greek delegation agrees with the resolution.

MR. VINSON: The communication from the Governor for Yugoslavia, setting forth the position of his government in regard to this matter and associating his government with the Greek government, reads in part as follows:

"The delegation of the Federal People's Republic of Yugoslavia consider as satisfactory the resolution that was adopted in connection with this question at the meeting of the Procedures Committee on March 15, 1946."

The question before the Board at this time is the consideration of the report from your Committee on Procedures, and that is now before the Board for discussion. The question is whether the report from the Committee on Procedures shall be approved and adopted.

Those favoring the adoption of the report will signify by saying "Aye."

("Ayes.")

Contrary "No."

(None.)

The "Ayes" have it and the report of the Committee on Procedures is adopted. And at this time the Chair will announce that the communication from the Governor for Yugoslavia will be placed in the official records for consideration at the time when the application of Italy for membership is considered by the Board of Governors.

REPRESENTATIVE OF YUGOSLAVIA: We thank you, Mr. Chairman.

MR. VINSON: The Chair now recognizes the Governor for Egypt, the reporting member for the Procedures Committee. The Governor for Egypt.

REPRESENTATIVE OF EGYPT:

REPRESENTATIVE OF EGYPT: Mr. Chairman, I have the honor to report to the Board on the work of the Procedures Committee in its meetings of March 15th and 16th under the able and distinguished chairmanship of Secretary Vinson.

In the meeting of March 15th, the Committee discussed the questions relating to interim administrative arrangements, and in the meeting of March 16th, the Committee examined matters relating to the fiscal year, the annual meeting of the Board of Governors, the fixation of a date for the first meeting of the Executive Directors, and the date of the next regular election of Executive Directors.

The Committee after careful study agreed upon Resolutions Nos. 1, 2, 3, and 4, (see Fund Doc. Nos. 15, 16, 22, and 23) and recommends their adoption by the Board of Governors.

This completes the report of the Procedures Committee and we recommend its adoption by the Board of Governors.

MR. VINSON: You have heard the report of the reporting delegate from the Committee on Procedures. The report has been read and adoption has been moved. Is there a second to the motion?

MR. DROZNIAK: I second the motion.

MR. VINSON: A second is heard. We will proceed to vote on resolutions 1, 2, 3 and 4.

MR. MLADEK: Mr. Chairman.

MR. VINSON: The Governor for Czechoslovakia.

MR. MLADEK: I am referring to resolution number four which suggests that the first meeting of the Executive Directors should take place on May first, or around May first. Because many of the Executive Directors from the continent of Europe are present at this conference and these men hold jobs in their respective countries, it is most necessary that these men should go home and make certain arrangements before they plunge into the work of the Fund and the Bank, I can see that some of them expected that the first meeting which would deal with the very imminent business of the Fund, would take place either within a very short period of time, say at about April 15, or that it would be chosen in such a fashion that they would be able to go home and arrange things and come back. But I can not see that they could do it within the short time which they have until the beginning of May.

Therefore, I present to the kind consideration of the Board whether the first meeting shouldn't take place earlier, about the middle of April, or later, toward the end of the month of May.

MR. VINSON: The Governor for United Kingdom.

LORD KEYNES:

LORD KEYNES: Mr. Chairman, I think there would be no objection on the part of my government to a later date, but we should have difficulty in being ready for an earlier date because we have to take account of the new situation that was not expected, of more or less partly whole time directors and alternates. And if the first business of the meeting would be to fill up a large number of posts on the staff, we should like to have a little time in considering those problems.

I shall be returning to London at the first opportunity in a few days. My government will, no doubt then take immediate steps to consider the appointment of Executive Directors and other suggestions. It will be very difficult for us to be ready, we think, earlier than May first. April 15 would be quite impossible, I'm afraid.

The objection to a later date is, of course, a delay of the set-up of the whole affair. But from my personal point of view there would be no practical objection in the way of a later date. I don't know whether a slightly later date would help the delegate from Czechoslovakia.

MR. VINSON: Does any other member on the Procedures Committee care to come to the defense of the Committee? If not, the Chair will state that the Committee gave very careful consideration to the problem. It was the hope and desire of all the committee that these institutions become going concerns as quickly as possible. It was thought when they were initiated that they would be ready to help the world in the critical time after the guns had quit firing, and we meet here now to breathe life into these institutions in order to aid a sick world.

The pros and cons of an earlier or a later meeting were discussed and finally your Committee on Procedures came out with an unanimous agreement that it should be about May 1st.

Any further discussion?

MR. MLADEK: Mr. Chairman, I am coming back to the question submitted by Lord Keynes as to whether a slight delay would help the European delegations. I, therefore, ask whether the Board wouldn't consider a delay of, say, a fortnight, in no way harmful to the interest of the Fund. A delay of even a fortnight, say, until the 15th of May, would be helpful.

MR. VINSON: You have heard the proposal in the nature of an amendment presented by the Governor for Czechoslovakia to resolution number four.

Those favoring the amendment will signify by saying "Aye".

("Ayes".)

Contrary "No".

("Noes".)

The "Noes have it and the amendment is not adopted.

The question is on the adoption of Resolutions 1, 2, 3 and 4. Those favoring the approval and adoption of these four resolutions will signify by saying "Aye".

("Ayes".)

Contrary

Contrary "No".

(None.)

The "Ayes" have it and the resolutions are adopted.

MR. MONTEROS: Mr. Chairman

MR. VINSON: The Governor for Mexico

MR. MONTEROS: It seems we have appointed a temporary secretary for the Fund and I wish to propose to you the following resolution: The Boards of Governors of the International Monetary Fund resolve to give a vote of thanks to the temporary Secretary-General of this inaugural meeting and to his very able assistants for the efficient services they have rendered to this institution during these initial stages.

MR. VINSON: The Governor from Nicaragua.

MR. SACASA: I second the motion.

MR. VINSON: The Governor from El Salvador.

REPRESENTATIVE OF EL SALVADOR: I wish to say, Mr. Chairman, I was ready to present a similar resolution. I see with pleasure that our distinguished colleague the representative of Mexico has already made the resolution and I join in it with great emphasis.

MR. VINSON: Those favoring the resolution will signify by saying "Aye".

("Ayes".)

Contrary "No".

(None.)

The "Ayes" have it and the resolution is adopted.

The Chair now recognizes the Governor from Ethiopia, the reporting member of the Ad Hoc Committee on election procedures for executive directors.

MR. BLOWERS: (Read Report of Ad Hoc Committee. See Fund Doc. 21).

MR. VINSON: You have heard the report of the Governor for Ethiopia, the reporting delegate of the Ad Hoc Committee relating to procedures for electing Executive Directors. It presents a motion for the approval and adoption of the report. Is there a desire for discussion? If not, the question is the approval and adoption of the report. Those favoring the approval and adoption of the report will signify by saying "Aye".

("Ayes".)

Contrary "No".

(None.)

The "Ayes" have it and the report is adopted.

The

The Chair now recognizes the Governor for Norway, the reporting member for the Committee on Functions and Remunerations.

MR. JAHN: (Read Report of Committee on Functions and Remunerations. See Fund Doc. 20.)

MR. VINSON: The Board has heard the report of the Committee on Functions and Remunerations. It is before the Board for discussion.

The Governor for the United Kingdom.

LORD KEYNES: Mr. Chairman, after consultation with the Chancellor of the Exchequer, I much regret that I am unable to support the paragraph in the report of the Committee which relates to the remuneration of the Executive Directors and their Alternates. We feel that it would lead to severe and well-justified public criticism to load the budgets of these new bodies with such high emoluments for so large a body of officials. It is all the worse at a time before we have even begun to consider the costs of their actual staffs, who will, we hope, be mainly responsible for the burden of daily business, and when the available income for such expenditure is still uncertain.

It is not uncommon to find that one mistaken decision leads to another. If we had foreseen at Bretton Woods what was going to happen--and it has turned out widely different from our expectations--we should certainly have proposed that the remuneration of the Executive Directors and their Alternates, who, as distinct from the staff, are National Delegates, should be provided or shared by the Governments appointing or electing them and not by the institutions themselves. This would have allowed the necessary elasticity for adjustment to the widely differing levels of official salaries in different countries. Unfortunately that course was not followed. The difficulty facing us has been greatly increased by the decision to provide for whole-time service by Directors, a decision which we believe to be inconsistent with the best efficiency of the institutions; and still further aggravated through the wholly unexpected provision for whole-time services by Alternates, not merely in the absence of their principals, but in addition to them. Nor do we believe that most countries can wisely spare from their own pressing problems the services of so many individuals of the calibre indicated.

These decisions, however mistaken in our opinion, have nevertheless been made. The difficulty of the resulting dilemma which faces us is obvious. A more unpleasant duty than that which falls to me today I have seldom experienced. I do not wish to deprive any man, especially old and respected friends, of their due and proper reward. But, in our view, so large a body of persons cannot properly be remunerated on the very high level proposed, which equals or greatly exceeds the highest remuneration available in most countries for public service.

My country feels, therefore, that they cannot share in any way the responsibility of this decision.

MR. VINSON: The representative of the United States, Mr. Martin.

MR. MARTIN: It is our view, Mr. Chairman, that the report as submitted should be accepted. We feel that its provisions are necessary in order to get the competent personnel which will be required to administer the Fund successfully and that although the salaries may be large in relation to public service generally, that the institution is such that it demands this type of remuneration.

I, therefore, support and make a motion that we adopt the proposal of the committee.

MR. CASTRO: Mr. Chairman.

MR. VINSON: The Governor for El Salvador.

MR. CASTRO: I want to say, Mr. President, that my worries are entirely different from the worries of the distinguished representative from Great Britain.

In the report that has been submitted, it is left to the discretion of the Executive Director to remain permanently at the place where the principal office of the Fund is located. And naturally, this is a very unfortunate feature of the report.

We know that the committee that has been working on this problem has come to a compromise on that particular question and for that reason, I am not making a motion to change the report, or to change, rather, the conclusions of the report. But, at the same time, I am afraid that this particular question is really working unjustly for many governments.

I am going to explain what I mean. There are some countries that appoint directly Executive Directors. They have no problem. They can tell their respective Directors to be permanently at the seat of the Fund and to work there permanently if such government so chooses.

But there are Executive Directors that are elected by a number of different governments and each one of these Directors would naturally receive the instructions of his own government, whether to stay permanently at the place where the principal office of the Fund is located.

But, on the other hand, governments that have participated in the election of that Executive Director will have no say in that question. The Executive Director will choose by himself or follow the advice of his government whether to be permanently at the office of the Fund or to absent himself for any length of time, if he so chooses. This Executive Director will have the voting power of a number of different countries. And, yet, the majority of them will not be able to decide whether that Executive Director is or is not to be permanently at the place where the office of the Fund is located.

For that particular reason, I say that what worries me most is the fact that there is not a compulsory provision stating that the Executive Directors should be permanently at the place where the principal office of the Fund is located.

Concerning

Concerning the remuneration that is to be paid to the Executive Directors and the Alternates, I support the report because it is only natural that if the Executive Director is well paid he will have another reason to stay permanently at the place where the office of the Fund is located.

Therefore, for that reason, I think that we should all support the report. The higher the remuneration, the greater assurance we have that the Executive Director will really be sticking to his work.

MR. VINSON: The Governor for the Philippines.

REPRESENTATIVE OF THE PHILIPPINE COMMONWEALTH: Mr. President, I, from a little country, join with the United States and with my good friend from El Salvador. We have to vote for people to represent our country. We want a high-type man. We feel we would like to have a man to stay on the job and for that reason we believe the salaries are not excessive. I trust we will accept the report so that we will get the type of men we want.

MR. VINSON: The Governor for China.

MR. HSI TE-MOU (Representative of China): Mr. Chairman, we are well aware that the whole world hopes that the great purposes of the Fund will be successfully carried out. So much depends on the judgment and wisdom of the Executive Directors, that I feel very strongly that every effort should be made to attract and keep men of the highest competency as Executive Directors.

These Directors are charged with the responsibility of making very important decisions affecting monetary systems and the trade of the world. We cannot expect that men of the highest quality will be willing to continue to serve as Executive Directors unless they are adequately paid. This is especially true now that the war is over and banking and industry are competing with government for the services of the most able people.

Many high calibre men were willing to serve their governments at great financial sacrifice during the war, but are not willing or able to do so now that the war is over. We must not forget, also, that the Executive Directors, in their work, must meet the world's financial people here and elsewhere and that kind of entertaining is very expensive. If the Fund is to have competent people, it seems to us a very unwise economy to try to save a few dollars in dealing with this question. We must not be penny-wise and pound foolish.

I repeat

I repeat, that we must get the best men; that we must pay them adequately. If we do anything else, we are jeopardizing the success of all our joint efforts. As we also know that the head office is in the United States, and, therefore, we have to go by the standard and cost of living in this country and not by any other country. Therefore, I fully support the figures as reported by the reporting delegate on the Committee on Functions and Remuneration.

MR. VINSON: The Governor for Canada.

REPRESENTATIVE OF CANADA: Mr. Chairman, the Canadian position on this matter was very clearly stated, I think, by the leader of our delegation, Mr. Ilsley, who has since had to go home, during the meetings of the subcommittee on Functions and Remuneration.

I think that our main worry flows from the number of people involved in one institution and the other, more than it does in regard to the individual salaries which cannot be regarded as excessive for people who have to devote their full time to this work and who are of high ability.

But, we were worried about the sum totals involved by the number of individuals multiplied by the remuneration. There was, of course, an arrangement agreed to by which neither the Executive Director nor his Alternate needed to be full-time, although between them one had to be continuously available for the service of the Fund. Then the dilemma of remuneration arose.

It was then suggested and agreed to that those who served part-time should only get the remuneration appropriate to the time of their service. And, also, it was left to the individuals concerned, who naturally would be greatly influenced by the views of their governments, to take something less than the maximum amount, either in the form of a salary or an expense allowance. That involves a considerable latitude.

I think that here, in this meeting, I must state my own opinion, but I can say that it was one that was strongly held by my Minister of Finance: that while the original worries didn't disappear, it was the Canadian view that we could not and should not freeze this issue. Because our domestic problems arising from it are dealt with by the compromises which have been evolved, we do not feel that we should press too far the view as to what others should do in these very difficult circumstances.

MR. VINSON:

MR. VINSON: The representative for the United States, Dr. White.

DR. WHITE (United States): Mr. Chairman, Gentlemen, I rise to speak on this matter with no small sense of embarrassment, for obvious reasons. My justification, however, is that I do not think the issue that is before us is one of salary. I do not believe that the matters which have been brought into the discussion relate to a question of whether a salary is a few thousand dollars more or less. There is implicit in the document something far more fundamental and that, I say, is my justification for speaking on this issue.

I am quite confident that my most esteemed colleague, Lord Keynes, is wholly sincere, completely sincere, in stating that it was an unpleasant duty for him to seem to oppose the salaries which have been suggested. I know how he feels about adequately paid competence. I know how he feels about many of his colleagues. And I am sure that in taking the position he has he wished to be clearly understood that in no way was he making any invidious comparison or any suggestion as to what an adequate compensation was for particular individuals who might be considered for this position.

I believe that his views and those of his Government stem from something that goes very far back, from something that ran right through the discussions with regard to the proposals that are before us from the very beginning, from the very first conversation that we had with our British friends several years ago, when early drafts were being considered. The point of view that they expressed and held then they continue to hold, possibly in slightly modified form but basically the same. Throughout the discussions at Atlantic City, throughout the Bretton Woods discussions their views have had a high degree of virtue with respect to consistency on matters of theory and policy, so that I believe they still hold the same views with respect to these basic matters now that they held then.

Those views happen to be different from those that were held by the United States and those that were held by a good many other countries present at Bretton Woods and present here.

The controversy stems from the issue as to what is the major role which the Fund and the Bank, and particularly the Fund, shall play. It had been our belief from the very beginning that the Fund constitutes a very powerful instrument for the coordination of monetary policies, for the prevention of economic warfare, and for an attempt to foster sound monetary policies throughout the world. As part of the necessary machinery to implement those objectives, it was regarded by the United States and by others as essential that there be large resources available to the Fund. But I should like to call your attention to the fact that those large resources were regarded as one of the instruments to make possible the broader purposes of the Fund, purposes which are set forth in Articles I of the Articles of Agreement. The resources were but a part of the organization and function of the Fund. In addition to the resources were the many provisions and powers related to attaining the objectives which I indicated before.

The British

The British view, in my judgment, was based more on the concept that the Fund should play a role somewhat similar to that indicated in the International Clearing Union, that the greater emphasis should be upon provision of short-term credit, that it should provide the necessary funds whereby a country, when it felt the need of foreign exchange, would be able to acquire it. A concomitant of that view was the view that the more nearly the Fund approached an automatic action the more nearly did it fit into their concept of the sort of organization that was necessary. They believed that there should be as little discretion as possible in the application and working out of the quotas and in the role of the Fund to determine whether or not policies pursued by any member governments were or were not in accord with certain principles. They sincerely held that point of view; they were able to make a good case for it. But it is a point of view that we did agree with and it is a point of view that the majority of the members at Bretton Woods did not agree with, as indicated from the kind of document that emerged.

The results of the Bretton Woods agreements ~~are~~ incorporated in the Articles of Agreement. They indicate that the powers of the Fund were to be broad and they indicate that the objectives were to be great. In our opinion, the carrying out of those purposes requires full-time executive directors of the highest competence who will deal with the most complicated problems of economics and who will deal with problems that arise not in one country or two but in 30, 40, or 50 countries depending upon the number of countries that will finally join these organizations. We believe that one of the most important elements in the Bretton Woods Agreement is that it provides a round table for constant consultation among persons cognizant with the monetary policies of various governments. We believe that the possibility for countries to be in continuous consultation with respect to the affairs of other countries as they bear on and have impact on the economic conditions of their neighbors was not only essential but was the most single hopeful element in the success of the Fund. We believe the Fund cannot wait until confronted with a critical matter upon which decision ought to be made, whereupon various executive directors would be called upon to vote. We believed then and we believe now that the Fund can do much to postpone and possibly prevent the emergence of critical affairs, but they can do so only

if there

if there is a careful following of events and trends and policies in various countries and, infinitely more important, a constant consultation around a table amongst men of good will, amongst economic statesmen and amongst men who, we hope, are highly competent to deal with that type of problem.

We had hoped and we must hope now that as a consequence of a policy of that kind there would emerge after years a group of men, 20, 30 or 40, whatever the case may be for any given institution, which would represent in their discussions, in their appraisals, in their views, a statesmanlike attitude toward those economic ills that are bound to confront us. We had hoped that this group would not only be able to appraise and pass judgment on the highly difficult matters, but they would be in a position to bring back to their own governments the views of their colleagues and consult with their own governments on matters which affected other governments in the hope of modifying if necessary, the policies and attitudes of their own governments in the interests of all. That is what we see in the Fund.

We feel that any attempt to weaken that aspect of the Fund's operations is a threat to the Fund. We do not believe that the Fund, no matter how wisely managed by a managing director, could begin to achieve the objectives that we hope. And we do not believe, further, that it is wholly to be expected that once an issue has been decided by various conferences that the issue should be again raised in various directions and by indirection. We submit that the thesis that salaries shall be lower than are necessary to attract competent men is not only a blow at the prestige of the group, not only a threat to the competence of the group, but may become, I hope undesignedly, an instrument to divert the purposes and divert the general policy of the Fund so that it will come closer akin to the hearts of those who foresee in the Fund little else than a source of credit and an automatic source.

Possibly, I do some of our colleagues a little injustice in setting forth the differences in black and white. I am sure I do. I am sure that our British colleagues could make a very excellent case for their position. I am sure they would say, and I am sure they feel justly, that they agree with many things I have said. None the less, I would point out that there is a difference in approach and that that difference is an important difference. The question of salaries which is before us is one that merely is a facet of that difference. The problem of salaries which is before us, whether a few thousand dollars more or less, as I said before, is not the real problem. The real problem is, shall you have a fund which is competent to meet these various problems which are before us or shall you have an automatic source of credit?

That, I submit, is the real question that is before us on this salary issue.

MR. VINSON:

MR. VINSON: The Governor from Poland.

MR. DROZNIAK: Within the last days we have had many arguments for and against in this matter. We considered the question and came to the conviction that we must support the proposition of the Committee. I believe it is in the interests of the small countries.

MR. VINSON: The Governor from the United Kingdom.

LORD KEYNES: Mr. Chairman, I do not think it is necessary to add more than a few words to the statement I have already made, but it is perhaps necessary in view of some part of Mr. White's statement, and particularly his concluding words, that I should reaffirm that we were and remain in accord with the functions of the Fund as set forth in the Bretton Woods final act, which took, in our judgment a sufficient account of our views about the limitations within which it was advisable that the Fund should work. These are clearly laid down and would have to be observed.

On the issue before us today, we are solely concerned with the most efficient working of the Fund and Bank and the confidence and respect with which these new institutions would be viewed throughout the world.

MR. VINSON: The Governor for Uruguay.

URUGUAY: Mr. Chairman. I have followed closely and carefully the discussion that has been taking place in connection with this matter. Mr. Chairman, it is my feeling that if the Bank and the Fund are as important to the economies of the world as I think they are and the executive directors are to play a significant role in the operation of these institutions, then a salary such as the one that has been proposed seems to me to be right. The payment of this salary to the executive directors and their alternates is of especial importance to the directors from those countries not entitled as a matter of right to appoint directors. They must, therefore, accept the duties of office under the assumption that other persons might be elected to take their place at the end of two years. This means that they would be accepting a temporary position the duties of which will require them and their families to live in another country. Under these circumstances, if the salary paid is too low, it will mean that the primary qualification of the person to be elected director will be financial independence rather than ability. It would seem, therefore, to me that the proposal to fix the salary of a director at a low figure has the effect, even though it may not be so designed, of weakening the caliber of men who can be chosen as directors and thereby weakening the Fund. There is no doubt that the economic expansion of the world in a system of peace is a task both arduous and difficult. In spite of that I feel strongly that it can be done; but it can be done only if every step which is taken is designed to strengthen the organization we are trying to put into motion here.

MR. VINSON

MR. VINSON: The Governor from Ethiopia.

MR. BLOWERS: There have been so many arguments presented in favor of adopting the Committee's report that I shall content myself by saying that I fully support the adoption of the Committee's report as it now stands.

MR. TOWERS (Canada): Mr. Chairman.

MR. VINSON: The Governor from Canada.

MR. TOWERS: Would it be inappropriate at this time to bring up a more general discussion, a small question over the wording of the report which, I must confess, escaped my notice earlier.

MR. VINSON: All right.

MR. TOWERS: On page 2 of the report, in the 5th paragraph, which is headed "1", it starts off: "It is the view of the Board of Governors that appropriate measures for the elimination or equalization of the burden of national taxes upon salaries and allowances paid by the Fund". In the last sentence of that paragraph, it is a tax on salaries received from the Fund, I have no doubt it was the intention to use the same wording in both places.

DR. WHITE: Mr. Chairman, we are in agreement with the suggestion of Mr. Towers.

MR. VINSON: Is there objection to the amendment suggested by the Governor from Canada?

(None voiced.)

The Chair hears none, and the amendment is agreed to.

Is there desire for further discussion?

(None voiced.)

There seems to be no such desire.

The question before the Board is upon the approval and adoption of the report of the Committee on Functions and Remunerations.

LORD KEYNES: Mr. Chairman, I should appreciate it, if it is in order, if you could put the different paragraph numbers separately because out of the eight paragraphs I am able, I am glad to say, to support seven and I do not wish to vote against the whole report. I am not able to vote for No. 3. If these various recommendations could be put to a vote separately, I shall be greatly obliged.

MR. VINSON: Without objection, the vote of the Board is upon the report of the Committee excluding Section 3 found on page 2 and the top of page 3. Those favoring the adoption of the report will signify by saying "Aye."

(Ayes.)

Contrary, "No."

(None.)

The

The "Ayes" have it and the report is adopted with the exclusion of Section 3. Mexico abstains.

The question now before the Board is upon the approval and adoption of Section 3 of the report.

DR. WHITE: Mr. Chairman, does the provision as you are putting the motion, as I presume it does, exclude the sentence in the brackets?

LORD KEYNES: Yes. I should wish to withdraw that sentence.

MR. VINSON: It is my understanding that the bracket language should be stricken from the report. That language is withdrawn by its sponsor, the United Kingdom.

LORD KEYNES: That is quite right.

MR. VINSON: Those favoring the approval and adoption of Section 3 signify by saying "Aye."

(Ayes.)

Contrary. "No."

LORD KEYNES: No.

MR. VINSON: The "Ayes" have it and the entire report is adopted, with Mexico abstaining from voting.

The Chair recognizes the Governor for Belgium, the Reporting member for the Committee on By-Laws, Mr. Gutt.

MR. GUTT: (Belgium) : I ask consent to recognize the Belgian Reporting Delegate, Mr. Boel.

MR. VINSON: The Chair will be happy to recognize the Reporting Delegate, Mr. Boel.

MR. BOEL: (Read Report of Committee on By-Laws. See Fund Doc. 18).

LORD KEYNES: Mr. Chairman, I have a very small question to raise, in the interest of clarity, concerning Section 14(a), which deals with the expenses of directors. In the subcommittee it was, I think, understood that this section did not apply to this present meeting but to future meetings. Am I right in assuming that is still the intention? It could be capable, I think, of being read either way.

MR. BOEL: Yes.

MR. VINSON: If that be the construction and the question can be raised in your mind, might it not be well to add clarifying language?

DR. WHITE: Mr. Chairman, it was thought that the record would clearly show that it did not apply to the present meeting and that it was deemed inappropriate to include it in the by-laws.

MR. VINSON: The action of the Board, however, in dealing with this or any subsequent question would not, of course appear in the by-laws itself.

LORD KEYNES

LORD KEYNES: After the words "attendance at such meetings" add the words "subsequent to the first meeting." That, I think, would make it quite clear.

MR VINSON: Or "subsequent to the inaugural meeting."

Is there objection to the amendment proposed by the Governor for the United Kingdom?

DR. WHITE: Would the Governor for the United Kingdom be agreeable to modifying that to "subsequent to the inaugural meeting"?

LORD KEYNES: Certainly.

MR. VINSON: Is there objection to the amendment proposed by the Governor for the United Kingdom?

(None voiced.)

The Chair hears none, and the amendment is agreed to and adopted.

Is there any question with reference to any other portion of the by-laws?

EL SALVADOR: Mr. Chairman.

MR. VINSON: The Governor for El Salvador.

EL SALVADOR: I just want to move that a little change be introduced in Section 13, in the last part of the paragraph in order to make it clearer and to avoid any possible misunderstanding.

Section 13 refers to voting without meeting, and the last part of the paragraph reads as follows: "If the replies received do not include two-thirds of the Governors exercising a majority of the total voting power, the motion shall be considered lost." The possible misunderstanding that may come in that this wording seems to imply that in case two-thirds of the Governors exercising a majority of the total voting power shall receive --

MR. VINSON: To what language does the Governor for El Salvador refer?

EL SALVADOR: I just wanted to explain what I mean, Mr. Chairman. That is this, if the replies received do not include two-thirds of the Governors exercising a majority of the total voting power, then the motion is lost.

MR. VINSON: That isn't the way my copy reads.

EL SALVADOR: It is the way my copy reads.

DR. WHITE: Mr. Chairman, there is a typographical error in the copy that is before us.

MR. VINSON: My copy of that sentence reads as follows: "If the replies received do not include a majority of the Governors exercising two-thirds of the total voting power, the motion shall be considered lost."

DR. WHITE: That is correct. But in some copies, apparently, we have the other version. Your copy is correct, Mr. Chairman.

MR. VINSON

MR. VINSON: We are referring to this copy.

EL SALVADOR: My understanding was that the by-laws this afternoon introduced a modification, and that modification was, instead of the words "a majority" the words "two-thirds" were introduced, so that we have here a correction in ink and it now reads as follows:

"If the replies received do not include two-thirds of the Governors exercising a majority of the total voting power, the motion shall be considered lost."

MR. VINSON: There seems to be an error some place. The copy which I have reads as follows: "If the replies received do not include a majority of the Governors exercising two-thirds of the total voting power, the motion shall be considered lost."

EL SALVADOR: Yes, Mr. President. What you have read is really what was decided this afternoon but, unfortunately, the copy that was handed to me has the change made at the wrong place.

MR. VINSON: Evidently, that is a typographical error.

EL SALVADOR: The proposition that I was going to make has as its purpose to make this part of the paragraph clear because as it reads it brings confusion to many. On this part of the paragraph of the report of the Committee on By-Laws my only thought is that as it is stated here if the replies do not include a majority of the governors exercising a two-thirds total of the voting power the motion shall be lost, but that if the replies received do include the majority of the governors exercising a two-thirds of the total voting power the motion shall be considered as if it had been carried, and that second conclusion, naturally, is wrong. But, in order to make that clear, my suggestion was this, to add this wording: "If the replies received do not include a majority of the Governors exercising two-thirds of the total voting power," then comes my proposition, "which shall be required for a quorum of the Board of Governors," then "the motion shall be considered lost."

MR. VINSON: Would you repeat that language?

EL SALVADOR: With great pleasure, Mr. Chairman. It is to include after the word "power" and after the comma that follows the following wording "which are usually required for

a

a quorum of the Board of Governors" comma, because the two requisites of a majority of the Governors and of two-thirds of the total voting power are established in order to have a quorum of the voting governors, and, naturally, this provision of Section 13 wants to make the same requisites effective for those cases in which votes are taken by mail or by cable. I think that this addition will make it clear and, if adopted, will just say that in case votes are taken by mail they are subject to the same requisites as when there is a formal meeting of the Board of Governors.

MR. VINSON: Is there objection to the proposed amendment offered by the Governor for El Salvador?

(None voiced.)

The Chair hears none. The amendment is agreed to.

The question is before the Board upon the approval and adoption of the report of the Committee on By-Laws as it affects the Fund. Any further discussion?

(None.)

All those favoring the adoption of the report will signify by saying "Aye".

(Ayes.)

Contrary, "No."

(None.)

The "Ayes" appear to have it. The "Ayes" have it and the report is adopted for the Fund.

MR. VINSON: I call the attention of the Board to a telegram which came to me as Chairman of your Board from the Honorable Herbert Lehman, Director General of U.N.R.R.A. In the wire he points out the language of the rules of procedure of the Council of U.N.R.R.A., and I quote: "The Council and Central Committee may invite observers or may invite public international organizations, non-member governments, authorities of relief and welfare agencies, or others, to send observers to attend all or any of their meetings or part thereof or to participate in such meetings or parts thereof without vote under such conditions as the Council or the central committee respectively shall determine. All such invitations shall be transmitted by the Director General."

Continuing, the wire reads: "If the International Monetary Fund and the International Bank of Reconstruction and Development should be willing to accept such an invitation I would propose to the Council immediately upon the commencement of the session that an invitation be extended to you and would transmit this to you upon its acceptance by the Council." The session referred to convenes in Atlantic City, March 15.

This telegram was considered by your Committee on Procedures, who appreciated very much the thought of that great organization and the contemplated invitation, and it was the sense of the Committee on Procedures that the answer

should

should be that we are unable to send a representative, not for lack of interest, but because we are not sufficiently organized at this time so to do.

Is there any objection to the contemplated telegram?

(None voiced.)

The Chair hears none and the wire will go forth stating our position. I am certain that every Governor present is very much interested in the work of that Conference but we actually have not organized to the point that we can send an observer.

Is there anything further to come before the Board?
(After a pause) If not, we will stand adjourned.

(Whereupon, at 11:00 o'clock p.m., March 16, 1946, the meeting of the Board of Governors was adjourned.)

WORLD FUND and BANK Inaugural Meeting



March 15, 1946

FUND RESOLUTION NO. I

A Resolution Appointing a Temporary Secretary

Resolved:

That, until a Secretary is appointed,
Mr. Roman L. Horne shall be temporary Secretary
of the International Monetary Fund.

WORLD FUND and BANK Inaugural Meeting



March 15, 1946

FUND RESOLUTION NO. 2

A Resolution Relating to Interim Administrative Arrangements.

RESOLVED:

1. The Temporary Secretary after consultation with the Executive Directors shall make all arrangements necessary for the first meeting of the Executive Directors.
2. The Temporary Secretary is authorized and directed to establish an account in the name of the International Monetary Fund in the Federal Reserve Bank of New York.
3. The Government of the United States of America is authorized and requested to transfer to the account to be established in the Federal Reserve Bank of New York all funds now held or hereafter received under Article XX, Sec. 2(d) of the Articles of Agreement.
4. Until permanent procedures have been established by the Executive Directors, the Temporary Secretary is authorized to expend up to \$200,000.00 to meet salaries and other administrative expenses of the Fund including transportation and other expenses of Governors and their alternates, Executive Directors and their alternates, and temporary employees of the Fund; expenditures for supplies, equipment and office space; reimbursement for salaries and necessary expenses of employees of member Governments loaned for work on behalf of the Fund; salaries of temporary employees of the Fund; and other necessary administrative expenditures.
5. The Temporary Secretary shall maintain a detailed account of all expenditures and shall present a full accounting to the Executive Directors for all funds which he has expended.

March 18, 1946

FUND RESOLUTION NO. 3

A Resolution Fixing the Fiscal Year and the
Annual Meeting of the Governors

RESOLVED:

1. That the Fiscal year of the International Monetary Fund shall begin on July 1.
2. That the Chairman shall call the first annual meeting of the Board of Governors during the month of September 1946.

WORLD FUND and BANK Inaugural Meeting



March 18, 1946

FUND RESOLUTION NO. 4

A Resolution on the First Meeting of the
Executive Directors

RESOLVED:

1. That the first meeting of the Executive Directors shall be convened about May 1, 1946. The Executive Director of the member having the largest quota shall act as temporary chairman of the Executive Directors until a Managing Director takes office.

2. That Executive Directors and their alternates shall take office on the date of the first meeting unless they have not been appointed by that date, in which case they shall take office upon the effective date of their appointment.

3. That the next regular election of the Executive Directors shall take place at the annual meeting of the Board of Governors in September 1948.