British changes
Feb.

D

The following references are to the British non-Unitas version of December 1943, as corrected on January 20th, 1944.

3 (2) It is suggested that the best solution here is to omit not only "net" but also "official" wherever they occur and to add the following passage to 3 (2): "the amount of holdings of gold and gold convertible currency for the purposes of this clause and clause 4 (8) below shall be determined by agreement between each member country and the Fund". On closer examination it appears that the practices of different member countries are so various that it would be difficult to devise a short formula which would apply equitably in all cases. The best course therefore seems that the appropriate definition in each case should be agreed by the Fund with each member. This is likely to lead to less difficulty than an attempt to bring all cases within a rigid formula.

4 (2) (e) This proposed addition is agreed. Its previous omission was inadvertent.

The proposal of an additional paragraph to 4 (2) was presumably due to the British version having arrived in an imperfect text. The substance of the proposed addition is identical with the British 4 (8) (a) and it is thought to come in more conveniently in that place. The latest British suggestion to cover both 4 (8) (a) and (b) is given below.

4 (5) Dr. White's amended text is accepted subject to the following addition which seems to be required to make it clearly consistent with the arrangements of the transitional period: "or to holdings of currency which have accumulated as a result of transactions of a current account nature effected before the removal by the member country of restrictions on multilateral

clearing/

clearing maintained or imposed under 11 (2) below".

4 (6) Dr. White's proposed addition is accepted. It is now proposed however that the words: "directly or through another member" be omitted and the following sentence added-- "This shall not preclude the sale of newly-mined gold by a gold producing country on any market". This achieves clearly what was in our minds, thus not upsetting the usual marketing arrangements for gold producing countries whilst, nevertheless, securing to the Fund in normal circumstances a first call on movements of monetary gold.

4 (8) (a) The original British text of this clause which arrived imperfect was as follows: - "(8) (a) If a member's nett official holdings of gold and gold-convertible exchange exceed its quota it should employ such holdings pari passu with its own currency in acquiring from the Fund foreign currency which it requires".

"(b) If at the end of the Fund's financial year, a member's net official holdings of gold and gold-convertible exchange have increased and are in excess of its quota, the Fund may require up to half of the increase to be used for the repurchase of part of the Fund's holdings of its currency, provided this does not reduce its nett official holdings below its quota. This provision shall become inoperative for any member country when the Fund's holdings of its currency are less than its quota".

The substance of Dr. White's amendment is here accepted but on further consideration of the previous text (8) (a) seems incorrect since it would deal with the gross turn-over of a member

with/

with the Fund and not as it should with the net outcome of its transactions over a period. It is therefore suggested that the objects of both (a) and (b) could be best secured by the following revised text:

"4 (8) So long as a member's holdings of gold and gold-convertible exchange exceed its quota it shall not allow the Fund's holdings of its currency to increase over a year by more than the amount by which its holdings of gold and gold-convertible exchange have decreased. Furthermore, if at the end of the year a member's holdings of gold and gold-convertible exchange have increased, the Fund may require up to half of the increase to be used to repurchase part of the Fund's holding of its currency, so long as this does not reduce the Fund's holdings of a member's currency below its original currency subscription or the member's holdings of gold and gold-convertible exchange below its quota".

5 (1) It is suggested that instead of deleting the words - "shall be at par" the following words should be added - "shall be at par subject to a fixed commission payable by the member making application to the Fund". This change would appear to achieve Dr. White's purpose.

6 (1) Dr. White's amendment for the second sentence is accepted with deletion of the words - "required to meet obligations", which do not seem to be required. In place of Dr. White's proposed addition at the end of the clause, the following alternative addition is suggested which seems to secure the same object more clearly and definitely; "The Fund is entitled to call the attention of a member country to any transaction which appears to conflict with the spirit of this clause". This would be instead of either of Dr. White's

proposed/

proposed additions.

10 (3) The following re-draft is suggested in order to make it clear that the phrase - "without the approval of the Fund" applies to the clause as a whole.

"10 (3) Not without the approval of the Fund to impose restrictions on payments for current international transactions with other member countries (other than those involving capital transfers or in accordance with 7 above) or to engage in any discriminatory currency arrangements or in multiple currency practices".

11 (1) The following revised text is suggested as embodying the substance of Dr. White's amendments:

"Since the Fund is not intended to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of the war, the agreement of a member country to Provision 4 (5) and 10 (3) above shall not become operative until it is satisfied as to the arrangements at its disposal to facilitate the settlement of balance of payments differences during the early post-war transition period by means which will not unduly encumber its facilities with the Fund".

2 (2) It is thought clearer to keep the following as a separate paragraph but Dr. White's amendments of drafting are accepted.

2 (4) Whilst omission of a specific reference to exchanges may be helpful from his point of view it is not equally so from ours. We should however feel that Dr. White's version was acceptable, if this could be balanced by an increased emphasis on what is already in fact embodied in the plan by the following addition to the preamble, to be inserted after the second sentence,

that/

that is, after the words - "the maintenance of a high level of employment": - "It should never interpret the obligations of its members under the agreement in such a way as to create unemployment by an enforced deflation". It is thought that this addition might be very acceptable to public opinion of both our countries.

The title of the institution. We agree to a return to the word "Fund" instead of "Union" but suggest "International Monetary Fund" rather than "International Exchange Fund".

The above deals with all points except the question of choice between the Unitas and non-Unitas versions. This matter is reserved for a later communication.