

UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

July 6, 1944

MEMORANDUM

TO: Mr. Luxford

FROM: Mr. Brenner

The Subcommittee of Committee 4 worked on a re-draft of the provisions concerning the Executive Committee and the Managing Director. Some minor changes were made in the combined Alternatives A and B as follows:

1. In paragraph 4 the wording was changed to read "The Executive Directors shall function in continuous session at the principal office of the Fund and shall meet as often as the business of the Fund may require." This suggestion was desired by Beyen, Gutt, and Machado. Eady and I could see no harm in it and agreed to accept it.
2. In paragraph 8, the Managing Director will now be "selected" instead of appointed and the last sentence will read "The Managing Director shall cease to hold office when the Executive Directors shall so decide."
3. In paragraph 9, the last sentence was deleted. It read "The Managing Director shall be responsible to the Executive Directors for the accounts."
4. In paragraph 11, the provision that the Governors shall determine salaries and terms of service of the Managing Director was changed to read "Salary and terms of the contract of service".
5. An additional revision was drafted to meet a deficiency in the combined Alternatives A and B. It reads "Except as otherwise specifically provided all matters before the Executive Directors shall be decided by a majority of the aggregate votes cast."

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The Canadian proposal for two automatic seats for creditor countries was explained by Rasminsky. On the whole it was well received, but the members of the Subcommittee felt that it should be more carefully studied and could not be settled tonight.

The Norwegian proposal that alternates be elected received unfavorable comment. It was decided not to report on it, but merely to oppose it if raised again. The basis of criticism was that in practice the countries grouping themselves together would determine who would be the alternates and it is important that the alternate and the Director be able to work together in complete accord.

The Indian proposal for a sixth automatic member was discussed briefly. It was decided that nothing should be done about it since it was a question intimately connected with quotas.

No decision was reached on the method of electing the Executive Directors and Machado made a very strong plea for a statement in the agreement that the Latin American countries would be entitled to two or three seats. He said this was an important political problem and that his legislators who are not technicians will not be able to see their rights *by reading* ~~from~~ the voting provisions. He was anxious that this matter should receive careful consideration, particularly by the American delegation.

Gutt indicated that his own proposal, which would give five seats to the countries with the largest quotas, three seats to the six countries having the next largest quotas, and four seats to the remaining members, was closely related to the question of quotas. He said that it would be impossible to pass judgment on the British-American proposal unless it could be examined in the light of the quotas. He feels that his own proposal is more likely to be equitable in the absence of specific knowledge of the quotas.