

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

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from

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If the United States accepts membership in the Fund and Bank it will assume important responsibilities. Governors and executive directors appointed by the United States will have a large voice in the management of both institutions. They should therefore have a clear indication of their responsibilities. In addition, there are a number of cases in which action by the Fund or Bank requires the approval or consent of the United States. It is essential that the decisions made by the United States and the positions taken by the United States governors and directors be in harmony with the domestic and foreign financial policy of the Government.

Some agency of the United States will have to provide the necessary direction and guidance to the governors and directors and will have to keep them advised about the administrative policies with which they must act in harmony. This agency should also act for the United States when approval by the United States Government is required before any action can be taken by the Fund or Bank. It is clear that the President himself cannot devote sufficient time to the performance of these functions and that he must delegate the responsibility to some agency or body of the Government. It is important that such an agency be definitely provided and its authorities and responsibilities stated in the enabling legislation. The matter should not be left vague and subject to different interpretations and different courses of action by successive administrations or by the same administration at different times. It should not be done by executive order, which is an emergency technique, but by provision of law.

There are three permanent agencies which are directly and continuously concerned in their operations with the domestic and foreign financial policy of the United States. In addition, there are at present other temporary agencies operating in the field. No one of these agencies should be responsible by itself for interpreting United States policy vis-a-vis the Fund and the Bank. In order to ensure continuity of policy and harmony among the agencies affected, the responsibility should be delegated to an inter-agency body of permanent standing established by law. The body should be small enough to be effective, flexible enough to meet changing conditions, and should include representatives of the three permanent agencies directly concerned. The body should be under the general direction of the President.

The establishment by law of such effective machinery for United States participation in the Fund and Bank will give confidence to legislators, bankers, businessmen and the public generally that the domestic and foreign financial policy of the United States will be fully reflected in our dealings with the Fund and Bank. They will have no reason to fear a sharp break in our established policies or inefficiency due to a lack of coordination among the agencies already operating in the field.

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