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Meeting in Atlantic City
June 24, 1944 at 3:00 P.M.

Present: Lord Keynes, Sir Wilfred Eady, Messrs. Robbins,
Robertson, Opie, Beckett, Bolton, Campbell, Brooks
and Snelling of the United Kingdom

Messrs. White, Bernstein, Luxford, Coe, E.E. Brown,
Maffry, Louchheim, Goldenweiser, Gardner, Livesey,
Pasvolsky, and Miss Richardson of the United States

The purpose of the meeting was to give Lord Keynes an opportunity to explain to some of the members of the American Delegation the principal changes which the English suggest in the draft of the proposed Bank for Reconstruction and Development. Lord Keynes explained that in drafting this document the British used three documents, the November draft, the Questions and Answers, and the American Reply to the British Memorandum of April 20, 1944.

The first change suggested was that the eighty per cent of member country shares not subscribed at the outset should be reserved permanently to implement guarantees given by the Bank and should be payable only in gold. Upon discussion it appeared that it was intended, firstly, that this reserve should be in addition to regular reserves which would be accumulated out of profits and guarantee fees, and, secondly, that this eighty per cent should serve as reserve for guaranteed loans only. In regard to this second point, Mr. White remarked that it might be possible to work out a provision by which it would be possible to avoid separating so completely the two functions of the Bank, the guaranteeing of loans and the granting of direct loans.

Since this eighty per cent of member country shares would be payable only in gold, the British also suggested that there would be no need for gradual redemption in gold of member country currencies paid to the Bank in connection with the initial subscription of twenty per cent of the shares.

Lord Keynes remarked that it appeared desirable that the rates of interest on guaranteed loans and the commission for guaranteeing charged by the Bank should be uniform among all countries although some differences might be introduced in the rate of the commission charges by the local governments for their guarantees. The reason given for this suggestion was that the Bank should not discriminate among the various member countries. The specific rates suggested for use at the outset were 3-1/2 per cent per year interest, and 1 per cent per year, guarantee commission. Lord Keynes also suggested that the rate of amortization might be 2 per cent a year.

A question was raised in regard to Lord Keynes' explanation of the establishment of reserves as to whether it was intended that no profits should be distributed to member countries. Lord Keynes seemed to consider the distribution of profits unnecessary in connection with the proposed Bank.

The question of tied and untied loans was discussed briefly. The British suggested that guaranteed loans and loans made from borrowed funds should be untied. Mr. White stated the American position that a country may specify the currencies which it desires in connection with any loan but that after credits in specific currencies are extended to a borrowing country in connection with a loan the borrower is required to spend these credits in the country in whose currencies these credits have been made.

Lord Keynes then explained that the British draft of the Bank proposal provides for a type of loan not included in the American proposal, i.e., stabilization loans. Mr. White remarked that this constituted a substantial change and that it would be necessary to consider this suggestion very carefully.

Lord Keynes remarked that in the American draft proposal of November 24, 1943, considerable emphasis was placed upon the fact that the Bank should avoid making any loans which could be made through private investment channels. Mr. White remarked that this had been our intention and that we considered this principle fundamental. Lord Keynes replied that the members of the British delegation agreed that the Bank should not make loans which could be made through private channels on reasonable terms. There followed a short discussion of the possible interpretation of the phrase "on reasonable terms." One of the members of the American delegation pointed out that the service charges which Lord Keynes suggested for guaranteed loans would act, in many cases, as a safeguard against the Bank's engaging in investments of this type which could be carried on through private investment channels.

It was pointed out that the members of the British delegation have not yet had an opportunity to consider the question of management. A number of copies of the British draft of suggestions were then supplied to the members of the American delegation to be held in confidence, after which the meeting was adjourned.

D. F. Richardson