

No distribution

DEUTSCHE BUNDESBANK

DER PRASIDENT

FRANKFURT AM MAIN 5 November 1962

Mr. Per Jacobsson
Managing Director
International Monetary Fund
Washington 25, D.C.

Personal

Dear Jacobsson,

Many thanks for your letter of October 12th. I apologize for being late in answering it, but I have been away from Frankfurt for a fortnight.

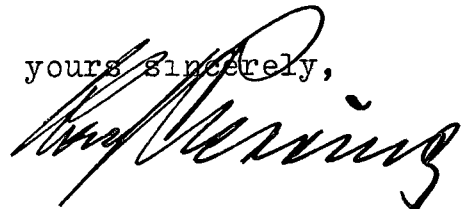
I have full appreciation for the arguments which you put forward in your letter regarding an increase in the salaries of the Executive Directors, and you may be sure that the matter has been given the greatest attention here. Discussion of the problem among the competent Ministries has, however, culminated in a negative decision. I have been instructed by my Government to abstain from voting, just as Professor Erhard will do with the I.B.R.D. It seems to me to be hardly possible to reverse the Government's decision. In addition I cannot help feeling that the Ministries' arguments are not without foundation, since they are primarily based on the Government's present policy in the direction of the strictest economy - a policy which the Bundesbank greatly welcomes.

I trust, my dear Jacobsson, you will be able to see the situation in this light. I would also ask you to believe me when I say that I do not find it easy to reply in the negative to a request you are making of me.

I noted with great pleasure from your letter that you will shortly be coming to Europe. I very much hope to be able to see you and talk to you.

With kindest regards, I am,

yours sincerely,



INTERNATIONAL MONETARY FUND

October 16, 1962

Mr. Horne:

For your information. Perhaps
you could return after reading.



With thanks



Mr. Per Jacobsson

October 12, 1962

PERSONAL

My dear Blessing:

It was good to see you during the Annual Meeting, and I only regret that my time for conversations with others than those who came to me to talk Fund business--assistance and other similar matters--was so very limited.

You will have got the proposal for an increase in the salaries of Executive Directors and Alternates. I have worked for this and an improvement in staff salaries for quite a long time and have now been able to put the proposals over, being anxious to do so before Cochran left.

I can understand that in the countries like yours, where efforts are being made to economize in the budget, these increases in the Fund may not fit into the national picture. But I want to put it to you that there are some special reasons for the action proposed here. The Executive Directors of the Fund take decisions involving very considerable sums of money and deal with policy matters involving considerations which affect financial policies all round the world. The functions of the Executive Directors are, in my opinion, akin to those carried out by the leading officials of central banks and other credit institutions like the Kreditanstalt für Wiederaufbau, and, as you know, in the various countries the remuneration in such institutions has to be fairly generous to attract able persons and make them more or less independent financially.

I would hate it if Executive Directors of the Fund had to look to their Governments for special tasks or independent responsibilities in order to supplement their earnings. This would not be a desirable development, but I have noticed some tendencies in that direction which I do not much like.

If Executive Directors have to establish contacts in this country to keep themselves informed, and they should to do their work effectively, they need to be able to extend the necessary invitations to build up such contacts, which they will find quite expensive. I have tried to find out not what the Ambassadors are paid here in Washington, but what the second persons in the Embassies receive, and I have found that Ministers and First Counsellors often have their rent paid, a car at their disposal, and other allowances, which are of course of great help to them.

The Executive Directors in the Fund should be able to have a standard of living not too different from the second man in an Embassy, in order to preserve a position due to them in Washington.

Shakespeare said in one of his plays: "I wonder men dare trust themselves with men." The reason is that there is no alternative. But we are wise if we seek to establish the conditions in which we can count on having here men we can trust and give them conditions which make it more likely that such trust can be well maintained.

In addition to all these arguments, I might add that the real value of remuneration for the Executive Directors, as now proposed, because of the rise in prices--and especially the rise in the cost of services--will hardly be higher now than the level at which salaries were fixed for them at Savannah in 1946.

Taking all this into consideration, I hope that Germany can see its way to agree to this increase in the salaries of the Executive Directors. I am sure that it is the right thing, and I would even go so far as to say that I would be concerned for the future of the Fund if it did not happen.

I hope to come over to Europe sometime this autumn in order to carry on negotiations with the Swiss regarding their association in some form with the borrowing arrangements, and also perhaps to make a speech in Switzerland telling them that the time has come for them to join the Fund and the Bank.

With every good wish,

Yours ever,

Per Jacobsson

Mr. Karl Blessing
President
Deutsche Bundesbank
Frankfurt-am-Main, Germany

*Copies to Mr Cochran
Mr Thorson*

INTERNATIONAL MONETARY FUND

October 16, 1962


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Returned

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