

Third meeting

MEETING OF COMMISSION I

JULY 10, 1944

DR. WHITE: The meeting will please come to order. You all have before you the reports of the four committees, and in addition to the reports of the four committees the Secretariat has prepared a summary of the status of the Committee assignments. If you gentlemen will please pick that particular sheet up and place it before you, I should like to call your attention to certain matters. It is hoped that ^{we} ~~you~~ will be able to finish the work of this Commission at the next meeting. Owing to the fact that some of the matters that will come before you have not yet been completed, we propose to have the next meeting of the Commission on Thursday morning. The committees of this Commission will have their work completed by Wednesday and will report to the Commission the following day, which is on Thursday. You will find that in the last column of the sheet before you headed "No Action or Decision Deferred." All the items that are listed under that column are matters for the committees and their sub-committees to complete in time to report to this Commission on Thursday. In column I you will find listed the provisions which have already been acted upon and which the language has been accepted. The next step would be to refer those listed in that first column to a drafting committee to be appointed by the Commission, if that be the will of the Commission. The Chair would like permission of the Commission to appoint a drafting committee who will report back to this Commission at our next meeting.

DELEGATE FROM NEW ZEALAND: I should like to move according to your suggestion.

DR. WHITE: It has been moved and seconded that a drafting committee be appointed by the Chair and report to this Commission. Any objection? We will assume that that is the will of the Commission. I will announce the drafting committee immediately after this meeting. Unless there are objections, I propose to refer to that drafting committee all of the provisions which are listed in the first column. The first column, you will remember, are provisions which the various committees have discussed and have accepted the language thereof. Do I hear any objection to referring to the drafting committee all of the provisions which are listed in the first column? Since there is no objection, we will so order it. With respect to the items in the second column headed "Referred to Drafting or Other Sub-committees," we are not ready to discuss them at this meeting of the Commission. The items listed in that column will therefore be delayed for consideration at this Commission meeting until next meeting. The committees will complete their work on the items in that column by Wednesday and they will report on Thursday. That applies to the fourth column as I have said before. We then have left the provisions which are listed under the third column, which have been referred to the Commission without decision. Those provisions will now be placed before this Commission for discussion. The first ones on the list are Alternatives G and H, section 6 of article I. If you will turn to article I, section 6, Alternatives G and H, you

will find the matter that is open for discussion now. The pages in the earlier discussion are 1c and 1d.

DELEGATE FROM INDIA: I now find that the Commission is to take into consideration some provisions of section 6. I would like to have your ruling on one point, Mr. Chairman, on article I, section 2, the Indian delegation has reserved its right to raise the question to this Commission and I would like to know what is exactly the scope of the work of this Commission when I will be permitted to raise this point.

DR. WHITE: The Delegate from India asks what will be the procedure if section 2 of article I is raised in the next Commission meeting. The view of our procedure is that any delegate will be free to discuss any of the measures which are reported back to the Commission by the drafting committee. We are merely attempting to facilitate the work and let the drafting committee handle the work and let it be placed before this Commission and then any delegate will be free to discuss that particular provision and take any position that he sees fit. Alternative G, which you presumably have before you reads: (see Alternative G) That Alternative is now before the Commission for discussion.

DELEGATE FROM INDIA: Mr. Chairman, at the outset I should like to have your ruling on one matter which would probably facilitate discussion and proposal of this item. In Committee 1 of Commission I, we discussed ^{on} two separate occasions Alternative G and H. As the result of these discussions, the Indian Delegation has tabled Alternative K, which has not yet been discussed by Committee 1. I suggest, Sir, for your consideration Alternative G, H and K may all

be discussed together.

DR. WHITE: The speaker has the permission of the Chair to consider in his discussion Alternatives G, H and K in view of the fact that they are so closely inter-related.

DELEGATE FROM INDIA: With this ruling, I will now place before Commission I Alternative A, tabled by our Delegation, which reads as follows: (See Alternative A)

At the time we discussed G and H, in Committee I, two principal objections were raised. The Delegate from the U. S. opposed either of these alternatives on the ground that inclusion of this item will overload the Fund. From the very start when we placed our alternative for consideration before this Conference, we were absolutely clear in our minds and when I spoke at one of the meetings of the Committee I, I endeavored to clear up that misunderstanding that we never intended the International Monetary Fund, when it was set up, to take over straight away in one lump sum the entire accumulative balances during the war. In explaining particularly the situation of India, I also made it clear that considering the very close ties between the United Kingdom and India it is more than likely that a very large proportion of the sterling balances we have accumulated in London will ^{over a period of years} be used up in our buying goods of both categories - consumer and capital goods from the United Kingdom. At the same time, I pointed out that if we are going to be realists, we must consider the actual situation in the United Kingdom today and in the post-war period. I refer for instance to the unfortunate loss of very valuable investments of the United Kingdom and I may add today that the necessity for rehabilitation of some of the industries in the United Kingdom, the necessity of at least reducing some of the tremendous

privations which are being borne by the population of the United Kingdom, during the last four and one-half years. All these factors will tend to reduce the capacity of the United Kingdom to give us goods which we badly want. That being so, our position is this: that the underlined in clause 2 - and I repeat that we attach very great importance to the definition of the primary objective. Now the maintenance of a high level of employment and income - attaching importance that we do in this primary objective taking into consideration ability) interest) of the United Kingdom at least for a fairly long period from now onwards to meet our requirement of capital goods, I submit to this Conference that if the country is situated as we are, is enthusiastic in international collaboration, then some means has to be devised by which multilateral activity would be given at least to a certain proportion of the large balances we have accumulated in London. I understand the argument that the International Monetary Fund can be unduly overloaded if this item was included among the purposes of the Fund. We are met here at the instance of the sponsors of this Conference to tackle a very big problem. I ask you to be realistic enough in undertaking to tackle this problem if you are going to permit billions of accumulated balances abroad. As I said in Committee 1, you are going to stack up simultaneous with the establishment of the Fund a sort of rival (X) fund and I ask whether it would be conclusive to the maintenance of the main objectives of the Fund if you complete the loss of large balances abroad. My answer

to the contention of the U.S.A. Delegation - I say you are starting to make a dreadful mistake, yet you are not having resources of battling this problem adequately. It appears to me you are just sending out a jelly fish to tackle a whale if your argument is that the International Monetary Fund is not^{adequately}/equipped to deal with this problem in its totality. What we ask for is the settlement of a reasonable portion. If this Commission is prepared to accept the principle of our amendment, then I see no reason in involving a concrete formula by which the purpose is set out in our amendment could be easily matched. The purposes set out in our amendment are two: to secure multilateral activity for a visible portion of our balances and, secondly, that that proportion which could be put in a formula could be so devised as not to place undue strain on the resources of the Fund. I think, Sir, talking amongst friends, it may well be to speak frankly about this question. We haven't disguised from the very outset a very strong feeling in our country on this question. I am sure the sponsors of this Conference are seeking collaboration from all countries of the world known as United and Associated Nations. It may be unfortunate that situated as we are, politically perhaps, the "big guns" in the Conference may not attach that great an importance to a country like India. But I am bound to point out this, if you are prepared to ignore a country of the size of India, 400 million population with natural resources in my judgment thought not incomparable to the natural resources of the some of the biggest powers on this earth, you do not expect that contribution to the strengthening of the resources of the Fund which you will otherwise get.

Suppose you don't accept our position. You are placing us in a situation which I may compare to the position of a man with ^aone-million dollar balance in the bank but not enough sufficient cash to pay his taxi fare. ^{That is the position you} /If you consider ^{put us} in closely the objectives of this plan. You want to facilitate the expansion and balance of international trade. You, incidentally, want to help build up a higher level of employment and income throughout the world as a whole. Mr. Morgenthau, in his very fine opening address, said: "Poverty is a menace wherever it is found in the country." Do you expect to fulfil the main objectives of this Fund if you allow large countries to be festured with this sort of poverty. I would like this Commission to face this question in a very realistic spirit. I am sure everybody here needs collaboration of everybody else, but if that collaboration has to be obtained realistically, you will make it possible for all countries in the world to be associated with you. I beg of you, Commission, to deal very dispassionately -- to deal with the problem I put before you. Thank you very much.

DR. WHITE: Does anyone wish the floor to continue discussion on this matter?

Mr. BERNSTEIN: We are all cognizant of the importance of the problem presented by the Delegate of India. We are confident that the problem he is presenting can be settled. We doubt the advisability of attempting to settle this problem through the Fund. We must be sure that the success of the International Monetary Fund is not made more difficult by burdening it with facts which it cannot undertake and for which it is not particularly well suited. It was recognition

of this fundamental principle that lead the technical experts who have participated in the discussions to recommend that the Fund should not be used for the purposes of relief for reconstruction or for meeting indebtedness arising out of a war. The Fund can contribute most effectively to the solution of post-war monetary and exchange problems if it confines itself to the specialized task for which it is designed. While the Fund cannot deal directly with indebtedness arising out of a war, we are confident that its operations will facilitate the development of ^{ordinarily} of inviolable and stable exchange rates free from ~~market~~ ^{exchange} restrictions that hamper world trade. War-time indebtedness can be amicably settled by the countries directly concerned. The Fund can do a good deal in this way. It is all the Fund can be sure to do. Ask it to do more is to impose upon the Fund the necessity of doing too little in meeting the task for which it is particularly suited. The U. S. Delegation hopes that the Alternatives will not be pressed and that the Delegate from India will seek the other way of direct settlement of the problem of ~~admit~~ abnormal war *balances*.

LORD KEYNES: Mr. Chairman. Since the United Kingdom is the only country here represented which has incurred large-scale war debt to our allies and associates, also here present, these three alternative amendments must be assumed, as indeed Mr. Shroff made clear, to relate primarily to her. Mr. Chairman, the various members of this alliance have suffered in mind, body and estate through the exhaustion of war through which we are differing in kind and degree. These sacrifices cannot be weighed one against the other. Those

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of us who are most directly threatened and were nevertheless able to remain in the fight, such as the U.S.S.R. and the United Kingdom, have fought this war on the principle of unlimited liability and with a more reckless disregard to economic consequences. Others who are more fortunately placed. We do not need information in the larger fields of human affairs. Nothing could be less prudent than hesitation or careful counting of the cost. But as a result, there has been inevitably no equality of financial sacrifice. In respect to overseas assets, the end of the war will find the United Kingdom greatly impoverished and other of the United Nations considerably enriched at our expense. We make no complaint to this provided that the resulting situation is accepted for what it is. On the contrary, we are grateful to those allies particularly to our English friends who put their resources at our disposal without stint, and themselves suffered from privation as a result. Our efforts would have been gravely, perhaps, critically, embarrassed if they had held back from helping us so wholeheartedly and on so great a scale. We will appreciate the moderate, friendly and realistic statement to the problem which Mr. Shroff has put before you today. Nevertheless, the settlement of these debts must be, in our clear and settled judgment, a matter between those directly concerned. When the end is reached and we can see our way into the daylight, we will take it up without any delay to settle honorably what was honorably and generously given. But we do not intend to ask assistance in this matter from the International Monetary Fund beyond the fact, as Mr. Bernstein has just pointed out, that the existence of the Fund and the general assistance it will give to stability, and expansion of trade may be expected to improve indirectly our

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ability to meet other obligations. We concur entirely with the view that has just been expressed by Mr. Bernstein on behalf of the American Delegation that the Fund is not intended to deal directly with war indebtedness. Now, since we do not intend either to ask for or to avail ourselves of any special treatment from the Fund, it appears to the United Kingdom Delegation that this amendment could be of no practical effect, and it is therefore better to discard it if misunderstanding is to be avoided about the role which the Fund can be expected to play.

DR. WHITE: Are there any other delegates who wish to discuss this provision?

DELEGATE FROM FRENCH COMMITTEE: It is very short, Mr. Chairman, and I will attempt to speak from here. The Delegate from France listened with great interest to the remarkable speech of the Indian Delegate, but he wishes to support entirely the position taken by the United States and the United Kingdom. Although France and other occupied countries have accumulated huge war balances against Germany, they do not request that the Fund should be concerned with these because they consider that it is not the Fund's business. The very argument given by the Indian Delegate as to the time which it will take for India to obtain goods against their blocked balances shows that the transaction contemplated is not of a current nature and also not in conformity with the purpose of the Fund. We certainly do not ignore India. But we consider that the question raised by the ~~English~~ Indian Delegate should not be addressed to the Fund but to some other organization.

DR. WHITE: The Delegate from the French Comité¹ has stated his reasons for supporting the views as expressed by the delegates of the United States and the United Kingdom.

Is there any other Delegate who wishes to be heard on this amendment? If not, then it appears to be the will of this Commission that the amendments G, H and K be not accepted, and unless there is an objection to that ruling, the Secretary will please know that G, H and K have not been accepted by the Commission. We then turn to the next item, which is Alternative B and C, article II, section 3. You will find it on page 2a and 4a of the Draft. I should like to call upon Mr. Varvaressos to briefly explain to the Commission the matter.

DELEGATE FROM GREECE: Mr. Chairman, I think that all three Alternatives on page 2a and 4a have been really referred to the ad hoc committee because they refer to liberated countries and I think that it might be more advisable for this Commission to wait up until the time before discussion.

DR. WHITE: The view has been discussed that the material appropriately belongs in the discussions of the ad hoc committee. Inasmuch as the Committee on Liberated Areas is, I understand, not prepared to render their report to the Commission at this time and unless there is any objection, we will pass to the next point. The next item is on the reverse side of the first page of section 4, under article IX - on page 40 of your Draft. I should like to ask Mr. Varvaressos to explain that amendment.

DELEGATE FROM GREECE: I have put in my report a few words about this. On page 6 of my second report I have put some words about this opinion ~~during the~~ of the Committee. During ~~this~~ discussion of this section, it has been recognized

that a distinction must be made between exchange controls and exchange restrictions. However, as the discussion developed some uncertainty as to the character of the restrictions ^{which member countries obligate themselves} to eliminate under this section, the Committee decided to request Commission I to clarify the matter and to postpone further consideration of it until Committee 2 also discussed the question. Now there was a feeling of this Committee that also this subject was connected with some subjects which have been assigned to Committee 2 and I think that this decision has two intentions. First, to postpone any definite decision before something has been considered by Committee 2 and then to ask this Commission for clarification about the nature of the restrictions to which the countries are asked to abolish.

DR. WHITE: The reporter has indicated that the subject
the subject matter of
matter in this amendment is related to/another Committee.
The Chair suggests the most efficacious way of handling that
would be to appoint an ad hoc committee to include members
of Committee 1 and 2 and to have that ad hoc committee report
directly to this Commission. Unless there is an objection,
that will be done. ~~THEXXXXXXXXXXXXXSECTIONXX~~
~~PARGRAPHX3,XPAGEX6XOFXFOURXDRAFTX~~

DELEGATE FROM BUREAU OF FRENCH SOCIETY

The next item is section 5, article 4 and the page No. 18 of your draft.

DELEGATE FROM FRENCH COMITÉ: (Matter of Uniform Changes
in Par Values) The issue was about the way in which it
should be voted on this question. There are three main elements
which may be taken into consideration for voting. One is to
vote by countries, each country with one vote. The second
~~possibility is to vote by~~

possibility is to vote according to the voting power, that means according to the quotas and ~~the~~ a third factor is to give more influence to the countries having ten percent of their quota. I think that the one way to handle this matter might be to refer it to the Committee 3, which deals with voting matters. This has been included in my report.

DR. WHITE: The recommendation is that this provision be referred back to Committee 3.

MR. M: This was dealt with in Committee 2 and the suggestion made by the Reporter was that Committee 3 deals with other voting arrangements. This might give consideration to this particular voting question, but it is not referred back to them. It came from Committee 2 and his suggestion is it might be given to Committee 3.

DR. WHITE: ~~And Committee 3, which this question~~
An ad hoc committee composed of members of Committees 2 and 3 to which this will be referred and they will report back to the next Commission meeting. Any objection? The next item is at the top of page 6, article III, section 11, and pages 14c, 14d and 14e. The Chair will call upon the Reporter from Committee 3, Dr. Hexner.

DELEGATE FROM CZECHOSLOVAKIA: Mr. Chairman, ~~the report~~
~~on the report of the Committee~~ Committee 3 considered this provision only according to Alternative C. This is Doc. 182 and Alternative D, because Alternative E was replaced by Alternative C, ~~XXXXXXXXXXXXXXXXXXXX~~. That's why Alternatives C and D were considered only. The report on Special Committee on furnishing Information of the Agenda Committee, condensed the discussion on this point. No agreement was reached because the member countries introducing Alternative D sharply opposed

to the extent of the meaning of the information as enumerated in items 1 to 12 in Alternative C. That is why Committee 3 referred this item for decision to Commission I.

DR. WHITE: The amendment is now before the Commission for discussion. Does any delegate wish to speak.

DELEGATE FROM U.S.S.R.: Mr. Chairman, we don't object against the general principle contained in the proposition of the U.S. Delegation. But it seems to us that it would be unreasonable to endeavor to enumerate the status of the International Monetary Fund to a detailed list of data which may be necessary for carrying out its preparation. Some of the data inserted in the list - old Alternative C - will concern only some countries. One part of this information would be probably impossible to furnish the other countries because they don't possess some of the statistical data required in this list. In the opinion of the Soviet Delegation, the obligatory information to be furnished to the Fund should be limited to indispensable minimum of data absolutely necessary to the Fund for carrying out its operations resulting from the provisions of the Fund. The Soviet Delegation proposes therefore to reduce the obligatory information which the member countries should furnish the Fund to the following data: (1) Gold holdings of the Central Bank and Treasury, etc. ←

DR. WHITE: The views of the Soviet Delegation is that they are in sympathy with the necessity for obtaining information, but they feel that many countries do not have the statistical material which would enable them to supply

Further information which the Fund may need shall be obtained by arrangement between the Fund and the respective member countries. That is the proposal of the Soviet Delegation.

the data which is specified in Alternative C. Therefore, they believe that the most feasible way would be to require a minimum of essential data. They believe that that minimum of essential data is included in their proposed Alternative D. For your convenience, we will call attention to the fact that the first two items which are in Alternative C and which are not in Alternative B, No. 3 and 4. And there are some other items on the second page. The amendment is before you for discussion.

DELEGATE FROM U.S.A. (Mr. Maffry) Mr. Chairman, the proposal in Alternative C is put forward first on general grounds and second on specific grounds. First, with regard to the general basis of this proposal. It goes without saying that in the view of the U. S. Delegation, the Fund must be possessed of adequate statistical and other information for carrying out its operations. This would seem obvious from the fact that the Fund will have little or no knowledge of individual transactions and that it must depend therefore very largely upon its knowledge of trends and tendencies to the international transactions of member countries. Now, with regard to the specific grounds. I believe that every item in the enumeration in Alternative C, with one possible exception, is directly related to a specific provision of the Draft Agreement. If the Chair wishes, I shall be glad to identify the specific provision of the Draft Agreement to which each of these enumerated items directly relates.

DR. WHITE: I think it would be helpful to the Commission if you indicated the numbers of those items which are included in Draft suggestion C and not in D - or vice versa.

MR. MAFFRY: I think it would save time if I went down the list. I don't have the items that way. Items 1 and 2, in Alternative C, is believed to require under the specific provisions of article III, section 7, dealing with the re-purchase of member countries' currencies and to be related also to the provisions of additional article XII, section 2.

DR. WHITE: I understand that the point you are making is that the execution of certain provisions in the suggested Draft require information which is listed in 1 and 2.

MR. MAFFRY: That is correct.

DR. WHITE: And without such information it would not be possible to execute those provisions.

MR. MAFFRY: This list is not theoretical list, but is based upon specific provisions of the Draft Agreement which cannot be carried out by the Fund in the absence of such information. I pass over for a moment item 3 - The Production of Gold - included in the shorter list. Items 4, 5, 6 and 7 dealing with gold movement, responsibilities and imports of merchandise, balance of payments, data and international investment data would seem to be required under the Agreement as a whole, but it would be required ~~specifically~~ especially under the terms of article III, section 2 and 6, and article V, I must pause to say that.....

DR. WHITE: Might the Chair request Mr. Maffry to restrict his comments to those points which are not common to both Alternatives. Would you agree that items 4 and 5 of the Soviet proposal, on Foreign Trade Data or Other Items of International Balances, would not include many of the items you suggest. If it were possible to really confine your comments to those items

which are not common to the Draft, it might save some time.

MR. MAFFRY: Article VII, item 7, dealing with international investment data, is not, I believe, included in the shorter list by the U.S.S.R. Delegation, but such information, where available, would seem to be extremely important to the Fund in tracing movements of capital between member countries. Items 8 and 9/^{which}are also omitted from the shorter list, can be shown to be required under the terms of article IV, which sets forth the circumstances under which the Fund may object or may not object to a proposed change in par values. Item 10 is not in controversy. Item 11 seems to be required clearly under the provisions of article IX, section 4 of the Draft Agreement dealing with permissible exchange controls as well as to the provisions of article X, section 2, dealing with exchange controls during the transition period. Item 12 dealing with delays in transfers would seem to be required under the terms of article V, section 2, which provides that ~~it~~^{there} shall not be undue delays in the commitments arising from control restrictions on capital transfers. Mr. Chairman, I would submit further that the position of countries whose statistical services are less well developed than those of others are fully safeguarded in the preamble to Alternative C, which says that the Fund shall take into consideration the ability to furnish ^tthe data asked for. Under this safeguarding clause, a country may plead inability to supply. With regard to production of gold, it is perhaps true that information on gold production cannot be directly related to any specific agreement of the Draft Agreement unless it be to par values to which the pro-

duction of gold is directed. It is also true, that if a member furnishes information on gold movements, gold production may be incurred, although with a considerable margin of errors in some cases. This item should be included on the list because it would seem to be very useful to the Fund and to have direct relation to gold.

DR. WHITE: The view of the American Delegate is that the information listed in Alternative C is either essential to the carrying out of the various provisions or is desirable in order for intelligent decisions to be made by the Executive Committee. He also pointed out that there is a clause in the preamble of the first paragraph of the Alternative C amendment which take out those countries which do not have or cannot have the statistical data available. Are there any other views?

LORD KEYNES: The United Kingdom Delegation very much hoped that Alternative C advocated by the U. S. Delegation will be adopted. We, like you, are great believers in the beneficent influence of knowledge on these problems. There is hardly any greater service the Fund can do, than provide up-to-date barometers of the monetary problems of the world. We hope that the very greatest importance will be given to the statistical branch of the Fund and that they will be encouraged to make reports from the instructions (X) and benefit of all of us on a scale that has never been possible heretofore. At the same time, we are well aware that full degree of completeness would only be approached. That is set forth quite clearly where in the preamble to the Alternative ~~whaxax whixh~~ Mr. Maffry

has explained every latitude allowed countries not in a position to provide it for themselves. I would therefore argue with the Delegation of the U.S.S.R. that they should not - I will not say stand in the way, but they will not minimize the importance of the statistical knowledge in this connection. In fact, as Mr. Maffry has explained, this information differs very little except in details of complexity from the information in the previous lists and I suppose (fully protect) that unless they put into effect the preamble of section 11, --- That seems to me to be valuable because that seems to put in the list what we are aiming at. I do not believe that if the U.S.S.R. is unable to provide more than what is set forth that in/Alternative that anything in Alternative C would stand in their way. It would be rather unfortunate if this bare list was put out to the world as something^{at what}/we are ~~am~~ aiming at. We must have something full in detail, although we must be well aware that the early years will not at the best will of the world will not fully attain.

DR. WHITE: Is there anyone that hasn't been able to hear that comment?

DELEGATE FROM U.S.S.R.: Mr. Chairman, the Delegation of the U.S.S.R. has already said what are the reasons for inserting in the list of information all of this data which are enumerated in Alternative C. But we must point out that it is not a principal disagreement with this list (and to resist later?) which are enumerated there. When it was mentioned that the data enumerated in our proposal doesn't include the movement of gold and the export and import of gold, we understood that they are included in the data. In addition

when she proposed this limited amount of information she had in mind to give such information by every country which every country is able at this time to furnish the Fund, but it is not the principal objection against other data enumerated in the Alternative C. Therefore, the Delegation of U.S.S.R. proposed to submit this question, the Alternative C and D, to a sub-committee of the Third Committee dealing with this matter in order to try to prepare such a list of information data which would be acceptable to all the Delegations.

DR. WHITE: The Chair recognizes the Delegate from India.

DELEGATE FROM INDIA: The Government of India is opposed ^{in support of} to Alternative C, but in doing so it wants to emphasize the extreme desirability of the protective clause which has now been inserted into the introductory remarks. We have the greatest possible hesitation in putting forward statistics which in certain cases, at any rate, would be nothing more than the merest guess work, and we would not like to enter into the arena of statistical information on subjects on which we know very little. We must express our view that under present circumstances in India, it would not be possible for us to furnish anything except a guess work on item #6, while items Nos. 7 and 8, we would not be able to furnish at all.

DELEGATE FROM NEW ZEALAND: Everyone would hope that the proposal set out by Smirnov will be accepted and will go back again and reconsider the two alternatives. I think it would be right to say that members of the Fund feel that they have the information or the Fund has the information and everyone of them have full confidence in the Fund. It would be impossible for the Fund to operate anywhere near as effectively as we hoped it would operate. Unless we have confidence, in

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the long run, it means maximum publicity so that the smaller as well as the larger nations and competent persons will know why the decisions of the Fund are so made, and if it is to operate along the lines which have been proposed in the various reports up to now, it is imperative to obtain the information if it is available. The Soviet Union obviously wants to supply the information to enable the Fund to operate. If they feel they are capable of supplying it, they will cooperate. It is good to get the suggestion that this should be considered but I hope that when it is considered it will be considered on the basis of giving every member country fuller confidence in the Fund's decisions. Unless we get that we will have outside parties publishing wrong information. If the right information is not known, then the wrong information in many cases will be received as right and the Fund's objective will not be reached.

DR. WHITE: In view of the fact that there may be some misunderstanding in the meaning of some of the items enumerated, the Chair believes that it would be helpful if the matter were referred back to the Committee as the Delegate of the Soviet Union suggests, and they would report their findings at the next Commission meeting. If there is no objection, it is so ordered. The next item on the agenda is Doc. 212, coming after p. 26-G. The alternative to that amendment is contained on page 26d, paragraph 3. Mr. Hexner would you please indicate the summary of those two items.

DELEGATE FROM CZECHOSLOVAKIA: The final Alternative submitted by the Committee was approved by Committee 3 except two or three provisions. One of them is the problem of electing

Executive Directors. This is discussed now in ^{an ad hoc} ~~a~~/Committee of Commission I and this Committee will probably report one small disagreement and this is that according to the final Alternative submitted to Committee 3 alternates should be appointed by the elected members of the Executive Committee. One of the Delegations submitted an Alternative according to which alternates should be elected the same way as Executive Directors should be elected. There is another provision in that alternative that alternates meet alone, but this second statement in the Alternative isn't important because it is obviously implied in the final statement so that this Commission should discuss and decide only the following issues: Should an Executive Director who is elected not just appointed have the right to appoint his alternate or should alternates be elected in the same way as Executive Directors are elected?

^{The issue resolves itself}
DR. WHITE:/ To the question of whether or not the Executive Directors - the elected Directors - may appoint his alternate or the alternate of the elected Executive Director should be elected. Is there any discussion?

DELEGATE FROM U.S.: I should like to point out that perhaps the question as to whether you elect the alternate is perhaps a very significant one. For this reason, the whole ^{is on the premise that the countries participating in} theory of electing Executive Directors is on the naming of a particular man will choose a man that represents their point of view. He will be the man responsible for carrying out their point of view. Now, if on the other hand, an alternate is elected to be the substitute you have the question as to ^{whether} ~~what~~ that alternate will represent the same point of view.

We have felt all through the discussion that the Executive Director should be elected by a group of countries and he alone should bear the full responsibility, that he represents the views of the countries, he should have the right to name the alternative so if he does not represent his view he will have the right to pick another alternate. But it must stand on the proposition of having an alternate that can work in close cooperation with the Executive Director. Failing that, you will have a conflict in your meetings of the Executive Directors between the Executive Director and the alternate which would be an unfortunate situation, since they both participate in the meetings. You would have two voices for one group of countries and that is exactly what you are attempting to avoid.

DELEGATE FROM NETHERLANDS: The Netherlands Delegation supports strongly the view expressed by the representative of the U.S. The situation that might occur if the alternative were elected would indeed be most regrettable. The alternate should represent and know that he represents the Executive Director and he should not have a separate status. Apart from that, the Netherlands Delegation doesn't see why there is so much objection in certain parts against the fact that the Executive Director should nominate his alternate. In cases where countries have to agree ^{on the first} they will elect as a Executive Director, it is quite possible for them to agree informally on persons whom the Executive Director might nominate as an alternate. We don't see any reason for this method and we think it is dangerous to follow it. We know there is only

one way a Director can work with an alternate when there is a measure of confidence between them that makes possible for him to leave his work to be done by somebody else. We strongly support the views of the U.S. Delegation.

DELEGATE FROM NORWAY: Mr. Chairman, the Delegate who can speak on this subject has been called out but if you will allow me I can state briefly the Norwegian point of view. When we are voting for a Director, we are voting for a person and not for a country, and we think, in our opinion, we should also be allowed to vote for the alternate. During the discussion in Committee 3 on this subject, it has been suggested that the country in question should agree whether the candidate for Director or alternate. But we think that small countries, for example like Norway, have a very small share in one Director. It would be very difficult for us to agree with the Director on the alternate. That is why we would like an opportunity to elect the alternate for our Director.

DR. WHITE: The Delegate from Norway expresses the view of his country in electing representatives, it is electing the man and not the country, and they would, therefore, like to have the privilege of electing an alternate rather than have the alternate appointed by the Director. Are there any other comments?

LORD KEYNES: This matter, Sir, was discussed fully at the Committee meeting. The importance of the point raised by the delegate from Norway was appreciated, but the United Kingdom delegate agrees completely with the views expressed by the Delegate of the U.S. and from the Netherlands about the practical working. A group of countries are in effect choosing

two people. They are choosing teams of the Director and the right to elect the alternate. It seems much more likely that there will be good relations between the Director and his alternate, and therefore either of them would discharge their responsibilities to the countries very much better if they were ~~xxxxxxx~~ regarded as a team of two to be chosen rather than risk the chance of an alternate who would not see eye to eye with the Director. I think Netherlands pointed out the very serious difficulties which would arise if that situation occurs. We feel that this is a matter which can work itself out more satisfactorily than providing for cumbersome doubling of all the voting system.

DR. WHITE: The Delegate of the United Kingdom supports the views of Delegates from the U. S. and Netherlands.

DELEGATE FROM FRENCH COMITE: France also wishes to agree with the expression of the United States and the United Kingdom.

DELEGATE FROM BELGIUM: Belgium supports the views of the Netherlands.

DR. WHITE: The Chair concludes that the consensus of this Commission is to accept the amendment of section 3 in Doc. 202. Unless there are any objections, that will be the decision. The next item is Alternative A, on page 29. There are three different Alternatives - Alternative B on page 29a, Alternative C on page 29-b.

DELEGATE FROM CZECHOSLOVAKIA: The Third Committee discussed three alternatives which have been presented in reading form and one Alternative which has been presented orally. The problem is about ~~in~~ depositories with reference to other deposits of local currencies. One of the members found acceptable

Alternative A. It means that at least half of the gold and other assets which are not local currencies should be placed in that country which has the largest quota. The rest may be placed with other depositories, but there is emphasized in the first place for member countries. One of the second proposals was satisfied with this amendment A, However, if the four countries would be changed into five or more countries. Another Alternative, D, is rather strict in this regard and gives to the Fund almost no discretion. And this Alternative D says that at least one-half of the holdings of gold of the Fund shall be shared in the designated depository in the member country in which the Fund has ~~his~~ its principal office. 40 percent of holdings of gold of the Fund shall be held in depositories of the remaining three members. It means the Alternative strictly defines where 90 percent of the gold and other assets should be held. There are four alternatives which should be decided upon by this Committee.

DELEGATE FROM NETHERLANDS: Mr. Chairman, I can't quite agree with the Delegate of the United Kingdom, and these others are just small items. And I suggest that you follow your original proposal and adjourn the meeting.

DR. WHITE: In view of the fact that this is the only item left and in view of the fact that we hoped that the Committees would wind up their work by Wednesday, I am wondering whether we might not see whether it cannot be cleared up in five or ten minutes. If that were so, it would save another meeting. Would the Delegate care to consider this suggestion?

DELEGATE FROM NETHERLANDS: Mr. Chairman, in that case, I feel free from the responsibility of keeping you all from your luncheon by saying a few words on this subject. I only want to repeat what I said in the Committee, that it seems to me unwise to give any strict rules to the Executive Directors about where they should place their gold. It seems to me there are only two considerations that have to be taken in this respect. One is safety of the place where the gold is held and the other the convenient place. It seems to me that it is frightfully difficult to see beforehand - now ~~xxxxxxxxxx~~ for a period let us hope of at least 20 or 30 years, what would be the wisest decision in this respect. If we accept the principle that the largest part of the gold would be in the head office/^{or} it would only be put into rigid rule which in practice would naturally be gold. But if we put that rigid rule in, it would be quite natural that other rules going much further than that would be brought forward. I only want ~~to~~ you to imagine what would happen if we accept the rule on 90 percent. In the first place, as soon as you sell gold anywhere, you have to shift the whole thing to get the percentage right again, and if we follow the other rules that the gold remain in a certain proportion all the time with the countries who have prescribed it, that practical objection would only be worse. Therefore, Mr. Chairman, I would strongly suggest that the Directorate will consist of people with a sense of responsibility and judgment.^{That} They will therefore discuss amongst each other and among all the countries who are mentioned in this particular alternative. I would strongly suggest that we leave them

to judge where the gold should be held.

DR. WHITE: Is there any other Delegate who wishes to comment on this amendment?

DELEGATE FROM UNION OF SOUTH AFRICA: I would like to support the ~~will~~ view which has just been placed by the Delegate from the Netherlands. I think it is quite an unusual thing, even in the articles of ~~the~~ association of companies, to lay down any such rigid provisions as are suggested. The only point here seems to be that the gold should be held in some of the bigger countries - say inside the management of the Fund to get it put there if they want it there. I think we could tie it down in discussing the management. I think we are making a very bad start.

DR. WHITE: The Delegate of the Union of South Africa believes that there is already sufficient flexibility in the ^{where} deciding as to ~~whether~~ the gold should be held, and that the large countries would have sufficient voice to determine the appropriate place.

DELEGATE FROM U.S.S.R.: The Delegation of the U.S.S.R. is of the opinion that it would be advisable to proceed with further discussion in this matter and, therefore, the Delegation of the U. S. S. R. wants to propose to refer this question to the Third Committee again, and to ask the Third Committee to establish a special committee to try to discuss the situation and to make a final proposal.

DR. WHITE: In view of the lateness of time, would the delegate from the U.S.S.R. wish to modify his proposal to suggest that the Chair appoint an ad hoc committee which would consist of the same committee that discussed it before, but would report back to the Commission. Unless there is an objection to that, the meeting is adjourned, and we will not meet this afternoon.