

UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

Committee III of Commission I

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Hotel, Bretton Woods, New Hampshire.

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Stenographic report by:
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Bryan?) Dr. Boucas will preside. The chairman is temporarily detained. We are going to continue our work of this morning.

CHAIRMAN: The secretary understands that we have completed Section 1 through (c), and that in accordance with the rule of proceeding, subsection by subsection, we are now on Section 1(d), found on page 24a of the draft document that you have. Subsection (d) reads:

"The Board may by regulation establish a procedure whereby the Executive Directors, when they deem such action to be in the best interests of the Fund, may obtain a vote of the governors on a specific question in lieu of calling a meeting of the Board."

Discussion is open.

MR. MACHADO: I would like to ask just what is meant by this section. What would be considered a suitable procedure? Would that be construed as far as to eliminate the annual report?

Reporting Delegate: There is a 100 percent probability that the Board wouldn't give such a regulation, but I don't think the Board would be entitled to give such a regulation. There may be secondary rules and regulations to indicate whether the Executive Committee may do that.

MR. MACHADO: How about the occasion of a special meeting called at the request of one-fourth of the members or of five nations, would that procedure substitute the holding of such meeting or--

Luxford Assistant Secretary: As I would read the provision as a whole, it would be my understanding that by no means might a meeting requested by five of the members be supplanted by any polling of the Board of Governors. There may be minor issues on which the Executive Directors would like to get the advice of the Board and rather than calling them from all over the world, they might do it by cable, for instance.

CHAIRMAN: Do any other delegates want to present any suggestion? If not, we will pass immediately to the (e). Will the Secretary be kind enough to read (e)?

SECRETARY: "Governors and alternates shall serve as such without compensation from the Fund, but the Fund shall pay such reasonable expenses as are incurred by the governors and alternates in attending any meetings."

CHAIRMAN: Discussion is open. No objection? Then we go to the following. The Secretary will read Joint Statement VII, 1.

(The Secretary read, JOINT STATEMENT VII, 1, Alternative A, Section 2, The Executive Directors.)

CHAIRMAN: I want to report here. I see we have Alternative A and B, and they are very long ones, and I think it will be best for us to read A now.

(?) We find it rather difficult to consider the significance of the suggestions here in Alternative A

regarding the number of permanent seats on the Executive Committee without knowledge of what the quota structure is going to be. Similarly, it is difficult also with respect to what follows, to consider the significance of the method of electing the remaining delegates without knowing what the structure of the quotas will be. Therefore, I would like to suggest to the Chairman that we postpone the consideration of those two points until we have more knowledge of what the structure of the quotas will be. That will be undertaken by another committee. It is only with respect to those two points.* I think the remaining material in these suggestions are not affected.

CHAIRMAN: What are the two points?

(?) The number of permanent seats on the Executive Committee, and the method of electing the remaining members of the Executive Committee.

THE DELEGATE FROM BELGIUM: I second the motion made for the very reasons expressed by the member from

CHAIRMAN: Well, we will suggest the motion by the Delegate from _____, seconded by _____
Any suggestions will be welcome, because we are making some important work for the benefit of our countries, so I want everything to be free.

THE DELEGATE FROM CUBA: Mr. Chairman, perhaps I do not understand exactly what was said by the distinguished gentleman who preceded me. It seems to me that it might be very helpful to read through these

two proposals because they approach the question of the number of directors in the Executive Committee and the method of election from two different angles, and regardless of what the position of our quotas may be, I think there is a _____ principle involved in the two separate sections. It would be very helpful I think, and would save time to read the two proposals.

_____ : I agree. They are quite complicated, particularly on the manner of election and we are prepared to offer some written amendment, certain suggestions that perhaps might be considered by a subcommittee and might help in bringing the general committee a direction that might help us to get on quicker. I would therefore request the Chair, if it is proper, to have the two alternatives read.

CHAIRMAN; So I understand the delegate from Cuba would propose to read all of them.

DELEGATE FROM CUBA: Both and have a discussion and to the principles involved.

DELEGATE FROM UNITED KINGDOM:

~~Chairman~~ These are very long discussions. I am not sure that we will be any nearer the discussion of the principles merely by having them read. I think the delegate from Cuba has raised a very important point. I think that we might discuss this without having the formality of having this read.

ASSISTANT SECRETARY: Mr. Chairman, I understood the delegate from the United Kingdom to propose that we dispense with the reading and discuss the provisions. I didn't know whether any action had been taken on that.

DELEGATE FROM UNITED KINGDOM: That was what I suggested, and I thought that the delegate from Cuba accepted that amendment to the discussion.

CHAIRMAN: We have been discussing the letter (a) of Section 2.

THE DELEGATE FROM CUBA: Mr. Chairman, at this point I would like to suggest, Alternative A and B, in regard to the Executive Directors, that they be increased from 12 to 15, in order to enable the ~~xxxxx~~ smaller nations to have a larger representation, and I would also suggest that the principle of distribution of geographic arrangements be adopted and be referred to a subcommittee to report with proper legal phraseology to cover that point. It seems to me that in order to have this further work properly, all geographical areas ~~xxxxxxx~~ should be represented in that Fund, and a method of election of Directors should be adopted that would assure such geographic distribution. It seems to me that the big monetary powers would retain the right to veto, safeguard, but we do feel that the benefit of advice of Executive Directors from wide parts of the world would be effective in carrying out more efficiently-- and refer to the subcommittee in order to bring a complete proposal to the Commission at the next meeting.

ASSISTANT SECRETARY: I would like to discuss the provisions of Alternative A before we focus on a proposal to commit any part of this to some special amending process. I think that it would be in order to outline in general what was intended by Alternative A, so that all here will agree on what was the purpose of this

alternative. As we turn to Section 2, and keeping in mind this morning that we discussed in great detail the fact that the Board of Governors is, so to speak, the plenary session, or the plenary body, holding all powers under the Fund, and that in turn they may delegate certain round powers to an operating group. In other words, as was stated this morning by a number of the delegates, it is not possible for a group of 45 or 50 countries represented by members to operate and manage a fund. They by all means should decide and form the policies, but if you must have a smaller operating group, and that is designated in Alternative A, the Executive Directors. Now the thought of paragraph (a) under Section 2 is that there should be around 12 Executive Directors. No one is arguing at this point whether there be eight or thirteen or something like that. It is the principle of a smaller number of directors who shall be responsible for the day-to-day operations of the Fund, operating, of course, under the authority vested in them by the Board of Delegates.

The question then comes up, assuming that you are going to have a small board who are going to handle the day-to-day operations, of who should comprise that group. Alternative A proposes, again for purposes of discussion, that you should first take the General Manager, that is the man who is going to be responsible for the actual administration in a technical sense to _____ the operations of the Fund. The General Manager

should, of course, be on the Executive Directorate, but he is going to be the man with the fullest knowledge of the day-to-day problems. Then it is suggested that the five member countries having the largest quotas should have seats on the Executive Directorate group. Finally it is proposed that there be approximately six other seats on that Executive Directorate, and that those seats should be chosen from the Governors who do not have a position on the Executive Directorate as a matter of right. To illustrate concretely, you will have the countries with the five largest quotas naming specific men to be members of Executive Directors. Then the balance of the countries without any information or power to vote on the part of who name a specific man, shall themselves decide who the other six members will be. Again I say, six is only being used as an example, and without any effort to argue six or seven or five. This proposal also contemplates that perhaps the business of the Fund during the first three years at least will be ~~af~~ so heavy as to make it wise that the Executive Directors remain at the head office at all times for the first three years. Again, that is for everyone here to decide, whether that is a good idea, the only thought being that in the transition period, in particular when we all realize the difficulties that will confront the world, and the contest in the ^{monetary} ~~monetary~~ field, that it would be very fortunate if you would have the Fund in a position to act and act at once on the measures that are bound to be raised by the

respective members. If someone else wants to say we can achieve the same result by having them available on twenty-four hours' notice, fine. We ~~are~~ won't try to argue whether they constantly remain in one place, but we do want them there to handle the business when it ~~is~~ comes up, and not have to wait weeks, When for instance, some country wants a change in rate, they should be available to act.

Then there is following that a provision that each Executive Director may have his alternate who will be his alternate on the Board of Governors. Now that again is to give us flexibility. I think we all realize the physical impossibility for a director to be constantly out of his own country and in attendance at a meeting, so we provided that his alternate might serve in his absence, so that you may always have available at the head office of the Fund the necessary members to handle the decisions that will come up.

Now, in recognition of the fact that you will have, whether you call it fifteen members on the Board of Governors or five or ten or twelve, you never ~~will~~ are going to have all the countries represented on that Board of Governors. That being so, the second paragraph of (a) attempts to remedy that problem, so that at least each country shall have the right to be present when the Board of Governors is considering business directly affecting that country. To illustrate: Suppose one of the countries not having a representative on the Executive Directorate wants to have a change in rate.

This paragraph would permit the director or some other representative of that country to be present and to argue fully the case of his country before the Executive Directors when that matter is being considered by the Executive Directorate. That would also apply in any other case in which a problem of serious and vital concern to a particular country is before the Executive Directors. At that point they should have an opportunity to present their position to the Executive Directorate.

I believe that that covers all of Section (a). Now I gathered from the discussion by the delegate from Cuba that some of the problems that he would like to raise go beyond Part (a). For that reason I would like the Chair's permission to develop the whole of Part (a) .. I will attempt to avoid getting into the niceties of how many seats there will be on this Directorate, any precise method of voting. It is the principles that I would like to develop.

Part (b) spells out a technique for the voting. I could spend a great deal of this time indicating the technique suggested here, but I think that there is a principle involved that can be spelled out much more quickly. I have already indicated that five members of the Executive Directorate would represent the countries with the five largest quotas. I have also indicated that one other man, the General Manager, would have an ex officio position on the Executive Directorate. You then have the question of how do you name from the balance of the countries those persons who are to ~~be~~ representad them on the Executive Directorate.

Now the proposal here, in short, is that every country will have the opportunity to name or cooperate in naming a specific man, a specific Executive Director, who will be answerable in a broad sense to that country or group of countries. If I might turn to the suggestion of the from Cuba that there should be geographical representation, I would like to suggest that this will permit the achievement of that very end, namely, that any group of countries who can control twelve or fifteen percent of the votes, after you have cut off the five countries who name a man by virtue of their possession of the highest quotas, the balance, any country or group of countries that can work together, will say, we would like to have a man represent our interests that will have complete power to name a man on this Executive Directorate. Now as to whether that should be always geographical, I do not know whether that will always be the best committee. I suggest that in many cases it will be, and this technique will allow that. On the other hand countries which may not be geographically associated together may have economic interests that may be associated. They may be on two sides of the world, and rather than put me side by side of a country that just happens to be beside me, I would rather pool my votes with a country that may have the same economic interests that I do. This would permit those two countries to pull together and name a member to the Executive Directorate.

I would like to touch on the remaining problem of voting on the Executive Directorate as contemplated in Alternative A, and again, I will give you principles, rather than details. What is contemplated is strictly in accordance with the provision of the Joint Statement, that if I may refer back now to Joint Statement VII,1,-- I believe that I am confused--I can call your attention though to the provision that I have in mind, namely, that voting on the Executive Committee shall be closely related to your quota, and it was with that end in view that we attempted to write language that would produce that result. I am informed that that is VII, 2, of the Joint Statement which reads:

(Statement read here.)

Therefore the problem is one of seeing that each Executive Director represents or has the power to vote the votes to which the countries which named him are entitled under the quota system. This document contemplates that that would be done in the following way:

The five countries which are ex officio, so to speak, represented on the Executive Directorate, namely the five who by virtue of having the highest quotas, have automatic representation on the Executive Directorate would be entitled to vote their quotas plus _____ for country vote. For instance, if the country was entitled to vote 500 votes on the Board of Governors, ^{country} that /would also be entitled to vote 500 votes on the Executive Directorate. That takes care then of the first ~~five~~ five members of the Executive Directorate.

The problem remaining is what shall be the vote of the six members that are elected and the answer there is the same, namely, that after countries agree on who they want, the group of countries wants, to designate as their representative on the Executive Directorate, the Executive Directors shall then be entitled to cast the votes of that group of countries. Finally, the general manager has an ex officio position on the Executive Directorate and it would be his position to vote. He is simply the presiding member of the Executive Directorate.

The last provision, (d), simply provides that the Executive Directorate may appoint such further committees as they may deem desirable, and that they need not be comprised entirely of Governors and alternates. In other words, the Executive Director^{ate} may way to appoint technicians to consider problems of rate and similar problems.

CHAIRMAN: I thank you very much.

MR. BEYAN, NETHERLANDS: Mr. Chairman, I understood that you decided, and I think wisely decided, that we should discuss Alternatives A and B at the same time. I say this is a wise decision because it is quite impossible to have any opinion on any sort of rules about Executive Directors unless one tries to visualize what sort of an institution this fund will be. Now, when I listen to many people discussing the importance of voting rights, I fear that many people have a conception of this Fund which in practice would not work, or would be, to say the least, disastrous. This Fund is meant

to create and maintain in the world healthy and, as far as possible, stable financial and monetary conditions. Now, if we imagine that this fund would succeed in doing that, when we assume that there would be^a continuous number of cases brought up to it about which there would be voting, I think we would be sadly mistaken. If, in the future of this Fund, voting would play an enormous part, the Fund would be a complete failure. We would be in the same position as parents who are so afraid of the health of their children that they have the doctor living on the premises, with the consequence that healthy children would become crippled and diseased persons for the rest of their lives. What can this Fund do? This Fund must try to be, a first of all, a center of concentration amongst the monetary authorities of the world, because only if it is _____ that the countries of the world cooperate in the monetary, there is any chance that it can maintain a healthy monetary condition. Let us not forget gentlemen that evaluation is not a thing that comes on the surface from one day or another. Now if we imagine that this principle of evaluation can be solved just by voting, and that ~~xxxxx~~ it will depend on our voting, I think that we will just fool ourselves. If anyone knows anything about the history of finance, if there is a case where evaluations is the only way out, then we will just have to accept it. If there is a case where the vote is not accepted, the member will just quit. If this Fund is going to have any meaning, and it is important that it have a meaning

for the benefit of the world, then it should be a center of concentration. It depends entirely on the sort of people who will be the Executive Board, and secondarily the way these people can deal with those who are not continuously present. We cannot do any good by ^{having} ~~sitting~~ on that Board people who will devote their lives to sitting in the country where it happens to be the seat of the Fund, who will not play any part in the financial life of their country. It is not any good for the purposes of this Fund to have a Board of high officials. What we want on this board is to have on this Fund the highest monetary officials of the countries and they could be in residence in their own countries, and be not continuous residents in the city of the central bank, because it is no good saying these people will sit here and study economics. I have the greatest admiration for economists, but their work is in a way so frightfully dull. What is the good of people sitting there and studying statistics. We want people who live the actual monetary life of their countries. If the world were very small, we could meet once a month, but that is quite impossible. We have to make a choice. It is essential that there should not be only people who only know the monetary values of Western Europe but these people know nothing about the monetary values of China, India or South America. It should be people who know intimately the problems in the monetary life of their country, and should be people who represent all these various monetary. It is not necessary that they should be there in permanent residence.

I happen to have a certain experience of an institution of that kind, an institution that has not been frightfully successful. It had the bad lot of starting its work when any international cooperation was crumbling in the world. It did one thing. It created a center of concentration among the banks of central Europe.

There was always banks to come and discuss without the thing becoming a stunt in the press.

And the situation is not such that we can just go up to the place where the fund will be, because --

Now the question arises whether the fund can be run by these people meeting only once a month. I don't see why it couldn't be run that way, because apart from the votes on various questions, which if the fund is successful at all, which will happen --

If there is no practical work to do that could not be done by high officials sitting there and you couldn't possibly ask nine, twelve, or fifteen of that high standing that we want them to have to sit around the place and have practically no daily work to do. It means that these people will either be bored or they will pike their nose in business where it doesn't belong.

It may be a little bit worth while in the first few years to come there. Against it, it should be a binding principle that these people should not be in continuous residence, but not be bound to leave the countries, than to have extremely difficult problems of the post war world settled by people who just are in that place, and have no contact with the actual life of their countries.

I am much less interested in whether I can vote or have a majority or minority than that this Fund will be a meeting where we will have to learn, gentlemen, what financial cooperation means, but we still have to learn it. I would rather see the thing in a shape that can develop something with the good will and interest of everybody, whether I have one vote more or ten votes less, and there is certainly every hope that it could develop. With war hanging around I have seen cooperation which went so far that, except for the position of Germany, it would have been possible to reestablish in Europe, in eastern Europe, something very much more like free exchange without control than anything we will see in the world in a very short time. We are afraid, first of all, that the big ones will outvote us and the big ones are afraid that the small ones will not cooperate.

From what I have seen I don't think there is any sense in being too much concerned. First of all, let us ^{not} forget that the world consists of human beings and we are going to run something that, if you want to compare it, we can compare it with a horse and a motor car and if we spend days and days discussing votes we will never achieve anything at all.

ASSISTANT SECRETARY: Mr. Chairman, I would like to say there is very much that Mr. Beyen has said that there is very much that I would like to agree with, for instance, that we should not over-emphasize the vote aspects of the Fund. In my explanation I only attempted to make it very clear what this provision does provide. I would much rather say that on most issues there will be unanimity or there will be no need to vote ^{since everyone} ~~XXXXXX~~ will agree on the course to be taken. I am afraid, though, that the choices will not

always be that clear, that it will not be possible to find everyone of the elective directory of the same mind, and in that contingency it becomes important to call out this vote, and in that contingency, alternative A does provide a special form of voting. I would also like to comment on certain other aspects of this problem. I would also like to see the postwar world through the same glasses as Mr. Beyen, namely that the Fund will not have too much to do. You will have cases when you will have to meet, but I do not see how you can talk in terms of ^{an} Executive Directorate that will meet once a month unless that Executive Directorate is prepared to turn over to some person the responsibilities which I would concede to be its and no other.

To give you some concrete example, the provisions of the Fund state explicitly that if a country wishes to make a change up to ten percent in exchange rate the Fund shall give it an answer within 24, 48, or 72 hours. What are you going to do with an Executive Directorate which meets once a month? Who is going to decide this question? I do not believe that there is any managing director who is going to decide this question. I do not ~~xxxxxx~~ ^{contemplate} that this group intended to ~~xxxxx~~ entrust to an appoint officer who is going to pass on the question of whether a country is entitled to have resources of the Fund made available to it, in Article III specifically.

Now that would be fine if no country ran into an emergency but I don't see that that will be the ~~ixx~~ world into which we are entering at the termination of the war. We should all recognize that there will be a constant emergency and countries should be free to come to the Fund and ask for

a change, and ask for it immediately But I do feel that there should be men there at all times to answer those questions a country feels that it must, impose change controls, after it has left them.

A further question, that of borrowing; the Fund ^{may} ~~might~~ find it necessary to borrow one or more currencies in the postwar period, and again, those are decisions which I believe should clearly be by the Executive Directorate and not any appointed officer. I did not understand the gentleman from the Netherlands to indicate that the management should handle all those questions. I just want to make it very clear that I do not think one should handle them and there will be many questions of that kind and that they should be available at all times to handle them there. The Fund is entitled to as much of their time as is necessary to discharge their duties.

DELEGATE FROM THE UNITED KINGDOM: I don't know whether I have your permission or the permission of the group ... just for the purpose of explaining certain differences, the point of view that alternatives A and B represent, I think it will help the group to see just what are the questions on which we should focus our minds. I want to clear other things out of the way. Alternative B does not provide in terms for the method by which the voting to choose the Executive Directorate is fixed. It is silent on that because there is a question where VII, 2, and alternative A has ~~been~~ made elaborate proposals for that. We are dealing with one of the most important parts of the whole matter referred to this committee. I hope I am not lacking in respect to committees I, II and IV if I say that I regard our work here as not the least important.

Now, the delegate from the Netherlands has explained from his experience, which is rather unique in this respect, from the doubts he has about the consequences of alternative A, and I would like to say, as can be seen from alternative B, we share a number of those doubts. If I may, I will take alternative A and just illustrate the difference. We are trying to contribute from our own knowledge and experience into the pool of this meeting so that something may come out of it. We are not interested in the voting. First of all, the proposals of the general manager shall be a governor. Now, that looks very sensible but it ~~disfranchises~~ ^{disfranchises} the country ^{which} to ~~which~~ that man belongs. If he is one of the twelve governors and is not allowed to vote, in so far as voting is important, he is ~~disfranchised~~ ^{disfranchised}. Now, I attach no particular importance to that, so that you have an outside man, one country having to give up a seat, or having two seats. But more serious, I think this question of the Executive Directors being chosen from among the governors and nobody else should be considered. There are two possibilities that the governments will prefer on matters of the ... immense importance, to send to the governing board a member representing the government directly and the government of the country Now it is quite clear that if a number of countries, that that is the rightful man to choose. It is quite difficult to contemplate that he shall be in permanent residence because he can't fulfill the duties in the country. He may take with him all the knowledge of the government but he can no longer represent the government in that sense. However, on the other hand, there is a wish on the part of the countries to bring the central monetary authority to the

Fund; then again, I think it is impracticable to believe that that will be possible. Mr. ^{Beyen} _____ pointed out that that means that he must choose. I have, at the appropriate stage, a suggestion to make which would enable the principle that directors can be governors but will enable any country which does not want the man it wants as governor (?). I venture to put to the meeting that there is rather a difficult problem of working in the field from which you may choose the Executive Directors if you narrow it to the Board of Governors. I think you may lose the help of people who will be invaluable in the difficult times ahead of the Fund.

The next point is on the question of continuous session. There are enormously important subjects which the Executive Directors have got to decide and I ~~xxxxxx~~ share the view of the spokesman of the United States that those can be decided by one man, however important he may be. Alternative B provides that ~~that~~ they could delegate some things but could not delegate others, so in alternative B there is a suggestion that some things must ~~xxxxxx~~ ^{be} done by the Board of Executive Directors elected. And if there are, important judgments, I think are likely to be very frequent at the beginning and sometimes may arise rather urgently. I don't think I see these continues crises, if ~~they~~ ^{there} are going to be continuous crises, for the first three years after the war, which will require your Executive Directorate to be in continuous session but I hope that is not what is going to happen. I think they have a series of immensely important decisions to make, largely in the beginning, and then, from time to time as they may arise. But there are technical operations perfectly under the competency of a good

staff and the direction of ... and it seems to me that the position could be met by not ... I want to lay down that first of all you limit your selection of the Executive Directorate to those ... and ^{requiring} ~~require~~ that they be in continuous session for three years is putting an unwise limitation on your choice which it is undesirable to make. The article might provide words to the effect that the Executive Directorate shall meet not less frequently than, say once a month, and as much more often and for such periods as in the opinion of the general manager is required to conduct the business of the Fund properly; that puts the man who is in charge of the officials who are following the economic and financial trends in countries, who are watching the developments that are going to lead to a situation. That puts him in a position to know that he must have a meeting of many directors; there is something coming here on which I should like ~~xxxxxxx~~ to inform them and on which I would like to have their counsel; and their counsel and advice will have been all the more valuable to me because they will have been in the stream of life. There is some risk in being detached and living in a world of its own and not seeing the living life in the countries. Delegate powers of certain limited functions, delegates chosen in the widest possible way; then, knowing that if they are chosen, they are required..... There are one or two other consequences that might arise. I thought it might help the meeting to see these two balanced points of view. There may be a middle course. Our view is that it is at least as important,

more important than the articles of the Fund will be, the way it looks, the kind of people it will attract to itself, the kind of relations they will establish. This Fund must grow in strength and not have its strength in the beginning. You ought to give yourselves the widest possible choice and you ought to have no conditions which limit, especially in the beginning, the field of your choice.

DELEGATE FROM _____: I find myself in agreement with what has been said by the Delegate of the United Kingdom. It seems to me that this is an excellent suggestion which will take into account the ~~supply~~ equally splendid suggestion made by the Delegate from the Netherlands that we should amend it having the top man in the field, and the equally good suggestion of the United States Delegate that the Delegates should be on hand at all times. If we have Executive Secretaries who are not necessarily Governors, such men could be in close contact with the top man. It has been expressed as undesirable to have the Executive Directorate delegate to an individual or a group of individuals powers which have been delegated to it by the Board of Governors. It seems to me that there is a slight mechanical detail that we can handle when we discuss the wording of the project either under Alternative A, Subsection (d) where the Executive Directors are permitted to appoint subcommittees or committees. It could be stated there that in appointing such committees those committees have to report back to the Executive Directorate and that action will be taken by the Directors and not by the Committee or if we discuss Alternative B, Subsection (d), which reads: (Subsection (d) of Alternative B read at this point). It could be added there that they are not allowed to delegate such power to a Subcommittee or to any division.

REPORTING DELEGATE: Mr. Chairman, Both ~~(a)~~ A and B propose a two year term for the Executive Committee but there is an interesting deviation from the term of the Board of Governors and the deviation is that where the Board of Governors serves at the pleasure of their governments this isn't the case with either of the proposals. Now this wouldn't matter with those members of the Executive Committee who represent countries which have the right to be represented, but there arises many complications with those members of the Executive Committee who are supposed to represent several countries. If we imagine that such a country would recall the member in the Executive Committee, especially according to the proposal A where he is bound to be a member of the Board of Governors, there would arise some complications, so that I think we should discuss this ~~fully~~ point. The proposal A doesn't have the extra chairman for the Executive Committee but the Managing Director is ex officio the Chairman of the Executive Board. This is proposal A. B elects an extra Chairman, so that there would be in the article two Chairmen, one of the Board of Governors and the second, of the Executive Committee. Proposal A provides for a continuous session ~~of~~ three years, proposal B no continuous session. Proposal A, persons elected not elected again. There would arise a slight . . . with those countries who elected a certain person by trust. So that now there is a very important difference between proposals A and B. According to B, if I understand the proposal, countries are elected which eliminates this difficulty and eliminates the difficulty. If I understand the proposal B countries are elected and not persons. According to A only members of the Board are eligible to be elected into their executive body whereas according to proposal B either he may be or he may not be. According to A an election process is indicated. According to ~~proposal~~ A, the votes are related to a certain extent to quotas.

According to B there are rigid quotas, ~~however~~ According to A the country may be present which is directly touched by the question. I do not know how this can be made possible if there is an urgent thing to be decided. Now the last point I would like to mention - proposal A mentions special committees where proposal B didn't mention it in this connection, probably doesn't exclude it.

L. Hendershott

I feel some doubt if I would be able to participate in the scheme where the Directors are not essentially _____ on account of the difficulty of distance. I think it can be particularly difficult as mentioned by Mr. L_____, namely the consideration within two days on the application of a member country who vary the rate of exchange by ten percent. I find it difficult to see how the General Manager can anticipate this and get the information in time to the Executive Director representing India at the headquarters of the Fund. It is true that the scheme of alternatives may mean a difficulty but I think it would be preferable to have the Executive Directors in residence at the headquarters of the Fund and that it could be said for the suggestion that these Executive Directors need not necessarily be either the Governors or their Alternates, as the representative from the United Kingdom said, that it would give us a wider field of experience on which to draw.

Delegate from _____ is recognized:

May I ask you for a few minutes to explain the matter of permanent residence. Generally, I think that even in the earlier stages the urgent decision should be an exception, for the following reason: Whether it applies to the ten per cent consideration or the 25 per cent excess, or the difficulty of exchange control over borrowing. I cannot very well conceive that if the Fund's business is run in the way it should be run that these things would happen over night. I cannot very well conceive that a country that is running its business well would over night find itself faced with the necessity of getting more than _____ per cent of its quota. Exceptional cases might arise, but especially when both the Fund and the country are running their

business well they should generally see a little ahead and everybody knows, who has seen all these sort of developments, and it is exactly when you have people who are taking part in the monetary life of their countries that they see them coming.

Now, one can mention that in the earlier stages there would be so much to be discussed that a monthly meeting would not be enough. Now what I think important here is that a continuous residence should not be forced upon the Fund because if you talk about continuous residence it is quite impossible that the man who is a Director should have some sort of function in his own country. What would be a much more sensible solution, and welcome to anybody participating, is that many of the people who were Directors of the Fund were people who had all their time available for the Fund but would at ^{the} same time be in a responsible position in their own country. The major central business would have, during the early periods after the war, one of the Directors could be a Deputy Governor who had given most of his time to the business, and I don't see any objection to this man being at headquarters all the time, but I would not force the fund into a situation where the man having to be in residence there could not possibly be a Special Deputy General of his special bank. I don't see any use in putting so strictly into the statutes that even when times become more normal-- it would not be more necessary-- That is the only explanation because it seems to be the impression that if you do not have the forced residence it would be impossible to give important decisions. Continuous residence is not always a guarantee for big decisions.

27

CHAIRMAN: The delegate from Belgium, Mr. Gutt, has the floor.

MR. GUTT: We are going to adjourn in a few minutes, but before that I think it would be necessary for us to know exactly where we stand. We have been lately discussing the statutes of Executive Directors. We have been discussing their personality and whether they would have to have a permanent residence. I am leaning in that regard on the side of the delegate for the Netherlands and for the United Kingdom, but this was part of the discussion of the beginning of Alternative A and Alternative B. And in the regard I want to refer to the motion of the delegate for Canada. Those two beginnings on A and B include several questions, raise several issues amongst them for preliminary ---- that is so the number of delegates, the number of permanent delegates-- the way in which the number of permanent delegates are to be elected and possibly the way in which they are going to vote. In that regard there has been two motions, as far as I understand, one which I supported coming from the delegate from Canada asking that this matter be postponed until the questions are reported. The second coming from the _____ delegate, and proposing that this question be referred to a sub-Committee which would have to get in touch with the Committee for quotas and report when we are better posted about the work. But I would like to know which of these ways is chosen.

THE SECRETARY: Gentlemen, not all delegations have given the names of their principle delegate and country to the Secretariat. As I understand it the Commission will probably meet tomorrow morning and there will therefore not be a meeting of this Committee. Will you want a meeting at 4 o'clock tomorrow afternoon-- therefore the Committee will meet at 4 o'clock tomorrow afternoon in continuation. CHAIRMAN: The session is adjourned.