

W. Edwards

(letterhead of)

FEDERAL RESERVE BANK OF DALLAS

July 15, 1944

Board of Governors of the
Federal Reserve System
Washington, D. C.

Attention - Mr. Chester Morrill
Secretary

Gentlemen:

In response to the Board's letter of June 8, I am enclosing statements expressing the views of our board of directors in regard to the proposed plans to establish an International Monetary Fund and an International Bank for Reconstruction and Development. These plans were carefully considered by our board at its meeting on July 13.

I regret very much that the statements could not have been furnished the Board prior to the opening of the conference at Bretton Woods, but the Board's letter of June 8 was not received until after the June meeting of our board had been held.

Yours very truly,

(signed) R. R. GILBERT

President

EXCERPTS FROM MINUTES OF A MEETING OF THE BOARD OF DIRECTORS
OF THE FEDERAL RESERVE BANK OF DALLAS, HELD JULY 13, 1944

President Gilbert read a letter addressed to him under date of June 8, 1944, by the Board of Governors of the Federal Reserve System referring to a plan for the establishment of an "International Monetary Fund" and of an "International Bank for Reconstruction and Development." The letter requested an expression of the views of this board of directors in regard to each of these plans. After a full discussion of the first-mentioned plan, it was unanimously voted to adopt the following statement as an expression of the board's views:

On February 10, 1944, we expressed our belief that the adoption of either the Keynes or the White plans for postwar international monetary stabilization at this time would be premature. The considerations leading to that conclusion were outlined in an attached memorandum. Since that time there has been published an agreement proposing to establish an "international monetary fund", which represented the latest version of the Keynes-White plans. Consideration of this agreement serves only to confirm our original opinion.

Although believing that international cooperation in dealing with postwar monetary and economic problems is extremely desirable, we feel that it is unwise at the present time to establish the proposed International Monetary Fund. Although the new plan represents an improvement over the old plans in certain particulars, especially in the exclusion from clearance of all postwar relief payments and transfers of wartime blocked balances, and in the provision for a short transition period after the war, yet the basic disadvantages

inherent in the original proposals remain. To these a major defect has been added. Virtually all of the sanctions and controls working toward permanent stability of foreign exchange rates have been deleted. Indeed, the new plan apparently looks toward the changing of foreign exchange parities as the accepted method of correcting maladjustments in the balance of international payments. Thus set up, the plan becomes primarily a device for extending dollar credits to the rest of the world. Perhaps for this reason it is now designated as an "international monetary fund" rather than as an "exchange stabilization plan."

We recognize the urgent need for developing as soon as possible a foreign exchange program to be put into effect upon termination of the war. However, we believe that present planning in this direction should be aimed strictly at the transitional period and that the development of a permanent program looking toward international exchange stabilization should be worked out in the light of this experience. Instead of attempting now to work out the details of any permanent plan, we believe that the present International Monetary Conference should devote its attention (1) to the monetary problems of the immediate postwar transition period, and (2) to the creation of an international agency to study and develop a permanent postwar policy in this field.

EXCERPTS FROM MINUTES OF A MEETING OF THE BOARD OF DIRECTORS
OF THE FEDERAL RESERVE BANK OF DALLAS, HELD JULY 13, 1944

President Gilbert referred to the fact that he had furnished to each member of the board, in advance of the meeting, a copy of a memorandum prepared by the Department of Research and Statistics, containing an analysis of the proposed plan for an International Bank for Reconstruction and Development. After an extended discussion of the analysis referred to by President Gilbert, it was unanimously voted to adopt the following statement as an expression of this board's views:

Although strongly in favor of continued international economic cooperation in the postwar years, we believe it unwise at the present time to establish an international investment bank on a permanent basis. We believe that present planning in the field of foreign lending should be restricted to the immediate postwar transition period, and that any long-range investment program should be developed in the light of this experience.