



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date January 7, 1946.

To Chairman Eccles

Subject: _____

From Mr. Knapp



The following memorandum discusses the question of appointments to the Bretton Woods Institutions. Your particular attention is called to the suggestion that you are the logical candidate for the position of alternate to Secretary Vinson as U. S. Governor of Fund and Bank.

The United States must appoint six principal officers of the Bretton Woods Institutions (one person to serve as U. S. Governor for both Fund and Bank, an alternate Governor, a U. S. Executive Director for the Fund and his alternate, and a U. S. Executive Director for the Bank and his alternate). In addition, the United States may desire and may be able to lay claim to the jobs of Managing Director of the Fund and President of the Bank; these two officers are supposed to be appointed by their respective Boards.

1. U. S. Governor. It seems to be generally accepted that Secretary Vinson will be named the U. S. Governor for the Fund and for the Bank, and this appointment seems to me to be quite fitting. The Governor will be the spokesman in the Board of Governors for the U. S. Government and probably the only alternative to Secretary Vinson is Secretary Byrnes.
2. Alternate to the U. S. Governor. I have heard little or no discussion of this appointment but it is one of some importance. The alternate is entitled to vote at meetings of the Board of Governors only if his principal is absent, but it is apparently intended that alternates should attend the meetings and participate in the discussions. The State Department may be anxious to see Will Clayton installed in this position, but I wonder if a more logical choice is not yourself. Admitting the right of Secretary Vinson to be the U. S. Governor, would it not be appropriate for the second principal U. S. representative in these international financial institutions to be the Chairman of the Board which constitutes this country's monetary authority?
3. U. S. Executive Director for the Fund. Harry White seems by all tests to be the logical man for this job. The question may be raised of whether he should not rather be groomed for Managing Director of the Fund, but for reasons given below I believe this position should be filled by a foreigner.
4. U. S. Executive Director of the Bank. In this case, as in the case of the Executive Director of the Fund, I think it would be a great advantage to select a man from Government circles, preferably one who has had long experience in the development of our international financial policies. However, there are surprisingly few promising candidates in Government circles. Probably the best qualified person from a technical point of view is Pate Collado, but there is serious question as to whether he has sufficient seniority and stature to do the job.

5. Alternates to U. S. Executive Directors. The Bretton Woods Agreements Act provides that alternates shall be appointed by the President "from among individuals recommended by the Executive Directors". There is thus little point in speculating concerning alternates until the Directors themselves are named.

6. Managing Director of the Fund and President of the Bank. It is possible that the United States could successfully place American candidates in both of these positions, leaving the principal assistant jobs to be filled by foreigners. However, my own feeling is that it would be much more appropriate from a political point of view for the United States to leave one of the principal positions to a foreigner.

The position of Bank President, however, is one that can hardly be filled by a foreigner. As I see it, the Bank President's big job is going to be to negotiate with the financial market in this country for the purpose of placing the Bank's debenture issues or giving the Bank's guarantee to foreign issues. The Bank President must therefore be intimately familiar with the American capital market and be a person who commands the respect of leaders in the American financial and business community. He must also work intimately with the Government, determining the Bank's operations in this market. For this position we should be thinking of candidates from American business and financial circles; possibly someone like Ned Brown or Averill Harriman (who is supposed to be resigning his position as Ambassador to Russia).

As for the position of Managing Director of the Fund, it might be better to have a foreigner not only from the political point of view, but also because the administration of the Fund should be truly international in character. The Managing Director, in seeking to develop the Fund as an instrument for international equilibrium, should be absolutely neutral as between surplus and deficit countries; in short, he should be in a position to criticize the United States for pursuing chronic surplus policies as much as other countries for pursuing chronic deficit policies. Furthermore, he ought to be a man thoroughly versed in the financial problems of deficit countries and in the administration of exchange controls. I should think the ideal choice would be an outstanding financial expert from one of the smaller powers, such as Belgium or the Netherlands.

P.S. For a somewhat different view, see the attached clipping from yesterday's Herald Tribune in which it is suggested that "top ranking men from the Reserve Board or the Export-Import Bank" should fill the positions of U.S. Governor and his alternate, and that the U.S. Executive Director for the Fund should be drawn from "the top personnel of the Federal Reserve Bank of New York".