HEARINGS ON BRETTON WOODS ENABLING LEGISLATION
BEFORE HOUSE BANKING AND CURRENCY COMMITTEE
March 15, 1945 - 10:30 A.M.
(Seventh day of hearings)

The testimony of Mr. White was continued with further questions by members of the Committee.

Representative Patman (D. Tex.) asked Mr. White to comment on the objections which the American Bankers' Association had raised to the Bretton Woods proposals. Mr. White referred to the suggestions made by the Association on pages 22-23 of the pamphlet "Practical International Financial Organization" and said that he had no objection to the proposals to increase the capital funds of the Export-Import Bank to 2 billion dollars, and to repeal the Johnson Act, although he thought it preferable to repeal the Act only with respect to countries joining the Fund. As to the recommendation to eliminate the provision which makes membership in the Bank dependent on membership in the Fund, Mr. White said that membership in the Fund would make the countries better risks because they would be better able to discharge their obligations arising out of operations of the Bank and therefore he would consider the acceptance of the Bankers' proposal a serious mistake. With respect to the suggestion to place the responsibility for negotiating stabilization agreements on the governors and directors of the Bank, Mr. White said that its adoption would give no assurance that currency stabilization would be achieved. The suggestion of the American Bankers' Association would merely delegate the authority to make the kind of agreements to which the Association objects now. In his opinion the implication of the rejection of the Fund proposal by the Association is that the Association does not think that the Bank will be in a position to make stabilization agreements. As to the suggestion that the lending powers of the Bank be broadened to make stabilization loans, Mr. White said that this was precisely the function of the Fund. The incorporation of the Fund arrangements in the Bank document would merely eliminate one Board of Directors. No significant provision of the Fund can be eliminated if the objectives of the Bretton Woods program are to be achieved. The adoption of the proposal of the American Bankers' Association would be a vital blow to the whole monetary program.

In reply to further questions on the subject Mr. White said that for the purpose of adopting the proposals of the American Bankers' Association a new international conference would have to be called which probably would be less successful than the Bretton Woods Conference because other countries likewise would want changes and the spirit of good faith and cooperation would be lacking.

To a question by Representative Kilburn (R. N.Y.) whether he felt that the American Bankers' Association did not want exchange stabilization, Mr. White answered that he did not know, that he could only judge by their recommendations.

Representative Gamble (R., N.Y.) inquired about the purpose of Section 9 of the pending bill pertaining to the obtaining and furnishing of information and asked, after Mr. Luxford had given an explanation, whether the provisions of the bill are not going further than they have to go. He remarked that the broad powers of the Trading with the Enemy Act could be used as a gestapo. Mr. Luxford replied that the Treasury had collected information under the provisions of the Trading with the Enemy Act since 1932 and that it had received no complaints as to its operations under the Act.

The greater part of the hearing was taken up by questions by Representative Smith (R. O.) who inquired about voting procedure, the complexity of the Agreements, the composition and the qualifications of the delegations at the Bretton Woods Conference, and the permissibility of the use of a fictitious unit of account, such as bancor or unitas, by the Fund. He also asked whether or not the Fund would impose exchange restrictions. Mr. White answered in the negative but pointed out that the Fund had the right to deny assistance to a member unless that member takes steps to reduce an outflow of capital which results in excessive purchases of foreign exchange.

Board of Governors
of the Federal Reserve System
Division of Research and Statistics
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