



*Stabilization
Fund*

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE VICE CHAIRMAN

September 27, 1943

Strictly Confidential

Honorable Marriner S. Eccles,
Hotel Ben Lomond,
Ogden, Utah.

Dear Marriner:

Subject: Proposal for a United Nations Bank
for Reconstruction and Development.

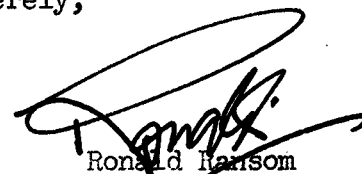
The attached memorandum of the U. S. Treasury Division of Monetary Research under date of September 24, 1943 reached me during the afternoon of Saturday, September 25, with the brief summary of the Treasury Bank proposal under the same date, prepared by Miss Bourneuff.

I was advised that the Treasury wanted to have a meeting of the so-called "Cabinet Group" in the Secretary's office this afternoon at 2:30. I so advised Mr. Szymczak, suggesting that he attend, but he felt that he would rather have me go with him and also Dr. Goldenweiser, who had been heading our staff people working on the staff or technical level on the proposal. I ascertained from Mr. Fitzgerald in the Secretary's office that this would be agreeable.

We had a meeting in our Board Room this morning, attended by Messrs. Szymczak, McKee, Draper, and me (you and Mr. Evans being out of town) and Messrs. Clayton, Thurston, Goldenweiser, Gardner, Morrill, and Carpenter, and Miss Bourneuff. This was for the purpose of being brought up to date before attending the Treasury meeting.

At the Treasury meeting this afternoon there were present: The Secretary of the Treasury, Messrs. Berle, Pasvolsky, W. L. Clayton, Pierson, Leo Crowley, Bell, White, Szymczak, Goldenweiser, and me. Also attached is a memorandum prepared by Mr. Goldenweiser reporting the conference at the Treasury.

Sincerely,


Ronald Hanson

Attachments

September 24, 1945

Mr. Gardner

Brief summary of the Treasury

A. Bourneuf

Bank proposal

Purpose

The purpose of the Bank for Reconstruction and Development is to raise the productivity of member countries by helping to make available to them long-term capital for reconstruction and development projects.

Methods

The Bank can cooperate with private financial agencies either by providing part of the capital needed for particular projects or by guaranteeing the private loans. The Bank may provide all the capital needed for a project. In general the Bank provides capital only when private investors are unwilling to do so on reasonable terms.

Capital of the Bank

Each member country subscribes a share of the capital of the Bank, the size of its subscription being determined by a formula which takes account of such factors as national income and foreign trade. The total capital of the Bank is \$12 billion, of which it is assumed that the United States will subscribe approximately \$4 billion.

Control of the Bank

Each member has 1,000 votes plus 1 vote for each \$100,000 subscribed to the Bank. The United States subscription would entitle it to approximately 25 per cent of the total votes. No country is allowed to have more than 25 per cent of the votes.

Form of subscription

Each country pays up 20 per cent of its subscription initially and the remainder as called by the Bank but not more than 20 per cent can be called in any one year.

Subscriptions are made in gold and local currency. The proportion paid in gold shall not exceed 20 per cent and shall vary with the adequacy of the countries' gold and free exchange holdings.

A country may be required to repurchase with gold its currency held by the Bank up to the amount of 2 per cent of its subscription a year provided that it shall not be required to give up more than 1/2 of the net addition to its gold holdings during the preceding year.

Form in which loans are made and repaid

The loans made to member countries are made almost entirely in the currencies of the countries in which the proceeds of the loan will be spent. Payments on account of interest and principal must be made in gold unless the Bank agrees to accept payment in currencies.

Conditions governing the loans made by the Bank

- 1) Loans must be made to a member country, or through the government of such country to political subdivisions or business enterprises therein, and the government of the borrowing country must fully guarantee payment of the interest and principal.
- 2) The loans must serve directly or indirectly to raise the productivity of the borrowing country.
- 3) The borrowing country's budgetary and balance of payments prospects must be favorable to the servicing of the loan.
- 4) The Bank can impose no condition as to the country in which the loan must be spent except that spending in a non-member country requires the approval of the Bank.
- 5) Loans must be made at reasonable rates of interest and with a schedule of repayment appropriate to the character of the project and the balance of payments prospects of the borrowing country.

Tapping of private funds

The Bank may sell its own securities or securities it holds to the public or institutions of member countries with the approval of the member countries concerned. The Bank may place part or all of any loan it has previously made for public distribution through the usual investment channels.

Special powers of a member country

A member may veto the exchange of its currency for another currency by the Bank. A member may veto the granting of a loan to be spent in its borders on the grounds that it would have adverse effects on business or financial conditions.

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