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FEDERAL RESERVE BANK OF ST. LOUIS

St. Louis 2, Missouri

Office of  
The President

June 20, 1944.

Board of Governors of the  
Federal Reserve System,  
Washington 25, D. C.

Attention: Mr. Morrill

Gentlemen:

It has not been possible to prepare a comprehensive statement covering in detail, the questions raised in the conventional outline of June 5, on the International Monetary Fund and the International Bank for Reconstruction and Development. Mr. Edmiston, who would ordinarily have assisted in the preparation of our analysis and reply has not been available since he was occupied with his own preparations for the International Conference.

My own position was expressed at the conference called by the Board of Governors on June 6. I am in favor of the International Monetary Fund or some similar formal arrangement to insure that changes in exchange relationships will take place after full and open discussion. I believe we can only succeed in international collaboration by working at it with other nations. The International Monetary Fund cannot succeed if its special field is the only one in which formal collaboration of the United and Associated Nations takes place. To succeed, it must operate within the framework of general economic and political cooperation.

The details of the mechanism established to administer the Fund are less important than the attitude and the skill of those chosen to administer it. The right attitude and degree of skill cannot be assured by details written into a plan, while on the other hand, an imperfect plan can be made to accomplish a great deal, if the administration is good.

It seems to me that questions which particularly concern the Federal Reserve System as such will be raised when the United States Legislation and Administration are considered, rather than at the International Conference. I do not see that the operation of the Fund would create any more serious problems in domestic monetary management than if there were no Fund. On the contrary, a high degree of international monetary cooperation should result in a greater understanding

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Board of Governors

of the attendant monetary developments in the United States. Regardless of whether these new forms for international monetary cooperation are created, the Federal Reserve System should be given powers adequate to meet the new developments that will arise.

In general, these observations also apply to the plans for a Bank for Reconstruction and Development. The United States cannot hope, and should not wish to evade its great responsibilities in Postwar Reconstruction. It seems to me that the Bank is necessary if the Fund is to have a change to function satisfactorily. Problems of emergency reconstruction will have to be met outside of the Fund.

The Board of Directors of the Federal Reserve Bank of St. Louis has considered these matters from time to time, but only in a general way. Even if the opportunity existed, I am sure the Board would not be willing to express itself upon the details of either the Fund or the Bank. I am sure that considerable skepticism exists in the minds of the Directors as to the prospect for successful organization and administration of either the Fund or the Bank.

Yours very truly,

(Signed) Chester C. Davis,

Chester C. Davis,  
President.