

January 2, 1945

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Notes on December 29 luncheon

Walter R. Gardner

with Harry White

Harry White came to lunch on December 29 with Governor Szymczak, Mr. Goldenweiser, and Mr. Gardner. The main purpose of the luncheon was to explore some of the features of the proposed Bretton Woods enabling legislation in which the Federal Reserve Board was particularly interested. The discussion was exploratory and designed to test the strength of reactions on various points rather than to reach precise conclusions.

Council to guide American Governors and Directors

That there should be an interdepartmental agency to guide the American Governors and Directors on the Fund and Bank is accepted by all concerned. Harry White agreed that, to be effective, this joint board (or Council as we called it in the discussion) should be limited to a few agencies. Several times he remarked that the agencies primarily concerned were the Treasury, the Federal Reserve Board, and State; but he thought it would be difficult to exclude other agencies which had been participating in the work and would make a vigorous case. In particular he thought it would be difficult if determination of the agencies was left up to Congress. Jesse Jones and others have a following in Congress or lobbies to work for them, and Congress might be induced to expand the membership of the Council considerably. He was inclined to think that we would stand a better chance of keeping the number down if the make-up of the Council were left to the President.

When Mr. Goldenweiser remarked that one couldn't be sure what future Presidents would do, Harry White replied that there were so many ways in which a President could make or break the Council that we just had to take our chances on that score.

The suggestion that Congress might create a 5-agency Council, on which the heads of State, Treasury, and the Federal Reserve Board would be members ex-officio with the President appointing the other two, was not discussed at the luncheon; but the Federal Reserve people after parting from Harry White talked further about this among themselves. They considered it a matter of considerable importance that the position of the Federal Reserve Board on the Council should be established in the law — particularly as the Board was not given representation on the inter-departmental committee recently planned by State and Treasury to formulate U.S. policy in the field of international finance. Cordial verbal assurances have too often meant

nothing in the way of action. As for Congress, it was our belief that it would prefer to know as much as possible in advance about the make-up of the Council it was being asked to authorize. A 5-agency Council with three members ex-officio would be easily understood. Congress would know concretely what was intended. The headache involved in picking other than the primary agencies for the Council would be passed on to the President. Congress could tell all claimants that only the permanent agencies primarily concerned had been specified and that the others could present their claims to the President. There were two posts waiting for them.

Judge Vinson happened to be sitting in the dining room as we left and this suggested the thought that it might be useful to get his judgment as to whether Congress would be glad to leave the composition of the Council entirely to the President or would prefer to specify the size of the Council and the agencies primarily concerned. Governor Szymczak offered to do this on some future occasion.

By-passing the Council

Mr. Goldenweiser stated that the greatest difficulty he saw in the Treasury draft was the fact that it by-passed the Council wherever American consent to operations of the Fund or the Bank in the American market was required. A discussion ensued in which it appeared that Harry White was none too clear on the provisions of the Treasury draft. He first stated that it had always been his understanding that the American representatives on the Fund and Bank would inform these institutions whether it would be proper for them to approach the United States investment market for a loan, but that, of course, neither the American representatives nor the Council could commit this country to make a loan. We responded by saying that no question of committing the United States to make a loan was involved -- merely consent for the Fund or the Bank to try its luck in the United States. We, too, had at first supposed that, when the Bretton Woods agreements stated that a member's consent was necessary before either of these institutions could try to borrow in our market, such consent would be given or withheld by the member's representative on the Fund. The Treasury draft, however, assigned that function to the President acting directly or through any agency he might designate. We differed with the draft since we considered that the power should be given to the Council, which would thus be made responsible for formulating all U.S. policy vis-a-vis the Fund and Bank.

Harry White appeared to agree with this approach so long as no U.S. agency was thereby committed to lend; but there were so many false starts because of his uncertain understanding of the issue posed by the Treasury draft, that little weight can be attached to his apparent agreement with us in the end. When we again tackle the problem with the Treasury staff we are likely to find them far from ready to unify in the Council all powers vis-a-vis the Fund and Bank.

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Advisory Committee

So far as the Advisory Committee was concerned, Harry White made it clear that in his mind it was just a public relations agency. Some of the possible difficulties were discussed and he was quite ready to see them. No conclusions were reached.

Further meetings at the Treasury

Harry White stated that he had been endeavoring to get the Secretary to call a meeting on Bretton Woods, but each week something had interfered. He seemed hopeful that he could get a meeting called in the very near future. Apparently he had reference to a so-called "Cabinet Committee" meeting though it is possible that what he had in mind was a meeting of the American delegates to Bretton Woods. He further indicated that there might be no more general meetings at the technical level but that instead the Treasury staff would deal directly with the staffs of the State Department and the Federal Reserve Board.

WRG:lgf