

To Chairman Eccles

FROM Elliott Thurston

REMARKS: 1/9/45

Mr. Szymczak thought you might be interested in taking note of the attached memoranda of the discussions on Bretton Woods at the Treasury and at the luncheon with Harry White.

He is having Dean Acheson in the Blue Room at one o'clock on Thursday, and if you are free he would like very much to have you present if you care to be.

E.T.


CHAIRMAN'S OFFICE

January 6, 1945

MEETING WITH BANKERS ON BRETON WOODS

There was a meeting at the Treasury on January 4 in which Mr. Szymczak and I represented the Board in the absence of Mr. Eccles, who was invited but being in Utah could not attend. There were present the Secretary, Mr. Bell, Mr. White, Mr. Bernstein, Mr. Luxford, and Mr. Gaston, from time to time. The bankers were represented by Randolph Burgess, speaking for the American Bankers' Association, Robert Fleming for the Reserve City Bankers' Association, Will Potter for the New York State Bankers' Association, and Ned Brown, presumably in his capacity as a member of the American Delegation at Bretton Woods.

Burgess read a four or five page report presenting the conclusions of the Bankers' Association and the Reserve City Bankers' Association on the Bretton Woods proposals. I do not remember just what committees in their associations they represented, but apparently the conclusions were ratified by the proper authorities in the Associations. They were to be published with explanatory text in a period of some weeks.

The substance of Mr. Burgess' report was along the lines of John Williams' proposals, coming out in favor of the Bank and against the Fund. The Bank was to absorb the Fund without increasing its own capital, and was to perform most of the things that the Fund is to perform, so that the two principal changes, outside of the consolidation itself, are: 1) the combined capital of the two institutions would be \$9 billions instead of \$18 billions, and 2) instead of giving each country a line of credit,

subject to its living up to the rules of the game, each stabilization loan would be considered on its merits and if granted would be accompanied by conditions imposed by the lenders. This last is the heart of the controversy with the bankers.

When Burgess was through Morgenthau made a powerful statement indicating that the bankers, who had been in the doghouse in 1933, had now emerged and were in good repute again. He claimed some of the credit for himself and at the same time acknowledged the great help he has received from the bankers during the War Loan Drives. He said, however, that this matter of Bretton Woods was extremely important; that even if the agreements were only 75 per cent good, we could not afford to go back on them; that, if we started making changes, all the other countries would do likewise, and we would have nothing. He said that, if the bankers persisted in their point of view, they would put themselves in the position of sabotaging an important international undertaking -- the first attempt to bring order out of the post war financial chaos, and one in which the leadership of the United States was at stake.

Burgess felt very uncomfortable because of his long connection with various stabilization movements. He hated to have the Bankers' Association accused of sabotaging an international plan of stabilization during his presidency. Fleming enlarged upon the point about the importance of considering each stabilization loan on its merits. The desirability of this procedure appeared perfectly obvious to him as a banker. Will Potter, of the Guaranty, asked a lot of intelligent questions. He somewhat resented Morgenthau's tone, but was not in any way bound by the Burgess paper, because his

Association has not considered it.

After the first exchange of amenities the discussion was along the lines to be expected -- with Harry and Bernstein explaining the technical excellence of the proposals. Little, if anything, new developed from that discussion. It continued until close to one o'clock when the Secretary and Harry went away to lunch with Secretary Stettinius and the bankers plus Dannie Bell, Szymczak and I went to the Secretary's dining room for luncheon. During lunch I did quite a lot of talking. I told them that I thought it would be a great mistake for them from the public relations point of view to oppose the agreements and that it would be a disservice to the country at a critical time. A defeat of the Bretton Woods proposals would mean a loss of leadership for the United States, and without American leadership chances of a reasonably good situation developing after the war would be greatly reduced. I also stressed the point that postponement of the Fund until after the transition period would be extremely bad. After that period the Fund would be useful but dispensable, but during the transition period it was really indispensable, because some basis for orderly emergence of stable exchange conditions was an absolute necessity for the reestablishment of world trade, and a large volume of world trade was essential to the restoration of prosperity throughout the world.

I had a feeling that Potter and Fleming were somewhat impressed and that Burgess was increasingly unhappy. Ned Brown contributed both before and during the luncheon, but they know his position and he is hard to understand, because of his manner of speaking, so that I think he did not add very much except the prestige of his support.

After lunch when the Secretary returned he repeated his statement with less emphasis on the threat and more emphasis on the plea. He said that he recognizes that if they felt as citizens that they ought to oppose the plan, or ought to propose changes in the plan, that of course they are free to do so, but that it would be very fine if they could add at the end a clause to the effect that, if the proposals as they now stand are the only alternative to getting no plan adopted, that they would favor adoption rather than have nothing. That gave Burgess and Fleming an out. They both agreed to try to get their committees to adopt such a proviso. Will Potter did not promise this outright, but I think his group will be more favorable to the plans than the other groups.

E. A. G.