

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date February 19, 1945

To Board Members (Individually)

Subject: Bretton Woods Bill

From M. S. Szymczak

I am attaching a copy of the Bretton Woods Bill (H.R. 2211) which was introduced in the House of Representatives last Thursday, February 15th.

The Bill is primarily the same as the last draft submitted to us by the Treasury on February 12th, 1945, with very few exceptions:

(1) In Section 3, it is provided that the governors, executive directors, and alternates shall receive no compensation from the United States.

(2) In Section 5, whereas the previous draft presented by the Treasury prevented approval of any change in par value of the dollar without the consent of Congress, the Bill as introduced prohibits any proposal of or agreement to any such change without consent of Congress. Likewise, any loan to the Bank, as well as any loan to the Fund, on behalf of the United States is prohibited without the consent of Congress.

(3) Section 12 of the Bill is broadened to provide that the provisions of Article VI, Section 5(i), of the Bank Agreement shall have full force and effect in the United States. This is the provision that any member receiving assets distributed by the Bank upon suspension of operations of the Bank shall enjoy the same rights with respect to such assets as the Bank enjoyed prior to their distribution.

(4) There are additional minor changes in language which, however, do not affect the substance.

(5) As expected, our proposal (council) is not in the Bill.

(6) The Treasury chose the second alternative (in the last draft) for financing of the Fund and the Bank. This appears in the Bill. This was explained to me by Mr. Luxford as something that the Chairmen of the Senate and House Banking Committees preferred at this time with the understanding, however, that if the committees of Congress preferred to do so, they would return to the first proposal in the last draft.

I made arrangements with the Treasury for some of our Staff from time to time, and for me, to attend the hearings and watch them closely.

Having talked with Mr. Ned Brown over the telephone last week about our proposal (council) I discussed the subject further with him on the telephone yesterday in Washington and this morning Mr. Brown will have a copy of our proposal and Marriner Eccles and I will discuss it with him immediately after the Board's meeting with the Federal Advisory Council.

Chairman Eccles will attend a meeting at the Treasury this afternoon re Bretton Woods.

M.S.S.

1 velopment (hereinafter referred to as the "Bank"), provided
2 for by the Articles of Agreement of the Fund and the
3 Articles of Agreement of the Bank as set forth in the
4 Final Act of the United Nations Monetary and Financial
5 Conference dated July 22, 1944, and deposited in the archives
6 of the Department of State.

7 APPOINTMENT OF GOVERNORS AND EXECUTIVE DIRECTORS

8 SEC. 3. The President, by and with the advice and con-
9 sent of the Senate, shall appoint a governor of the Fund and
10 an alternate, and a governor of the Bank and an alternate.
11 The term of office of each shall be five years. The Presi-
12 dent, by and with the advice and consent of the Senate, shall
13 appoint an executive director of the Fund and an executive
14 director of the Bank, who shall also serve as provisional
15 executive directors for the purposes of the respective Ar-
16 ticles of Agreement. The term of office of each shall be
17 two years, but they shall continue in office until their suc-
18 cessors are appointed. Each executive director shall, with
19 the approval of the President, appoint an alternate. Gover-
20 nors and their alternates shall be eligible to appointment
21 either as executive directors or as their alternates. No
22 person shall be entitled to receive any salary or other com-
23 pensation from the United States for services as a governor,
24 executive director, or alternate.

1 capital stock of the Bank under article II, section 2, of the
2 Articles of Agreement of the Bank.

3 **PAR VALUE OF UNITED STATES DOLLAR**

4 **SEC. 6.** When the United States is requested by the
5 Fund to communicate the par value of the United States
6 dollar, such par value shall not be communicated as other
7 than $15\frac{5}{21}$ grains of gold nine-tenths fine.

8 **DEPOSITORIES**

9 **SEC. 7.** Any Federal Reserve bank which is requested
10 to do so by the Fund or the Bank shall act as its depository
11 or as its fiscal agent, and the Board of Governors of the
12 Federal Reserve System shall supervise and direct the
13 carrying out of these functions by the Federal Reserve banks.

14 **PAYMENT OF SUBSCRIPTIONS**

15 **SEC. 8.** (a) Subsection (c) of section 10 of the Gold
16 Reserve Act of 1934, as amended (U. S. C., title 31, sec.
17 822a), is amended to read as follows:

18 “(c) The Secretary of the Treasury is directed to use
19 \$1,800,000,000 of the fund established in this section to
20 pay part of the subscription of the United States to the
21 International Monetary Fund; and any repayment thereof
22 shall be covered into the Treasury as a miscellaneous
23 receipt.”

24 (b) The Secretary of the Treasury is authorized to pay
25 the balance of \$950,000,000 of the subscription of the

1 United States to the Fund not provided for in subsection
2 (a) and to pay the subscription of the United States to the
3 Bank from time to time when payments are required to
4 be made to the Bank. For the purpose of making these
5 payments, the Secretary of the Treasury is authorized to
6 use as a public-debt transaction not to exceed \$4,125,000,-
7 000 of the proceeds of any securities hereafter issued under
8 the Second Liberty Bond Act, as amended, and the purposes
9 for which securities may be issued under that Act are ex-
10 tended to include such purpose. Payment under this sub-
11 section of the subscription of the United States to the Fund
12 or the Bank and repayments thereof shall be treated as
13 public-debt transactions of the United States.

14 (c) For the purpose of keeping to a minimum the cost
15 to the United States of participation in the Fund and the
16 Bank, the Secretary of the Treasury, after paying the sub-
17 scription of the United States to the Fund, and any part
18 of the subscription of the United States to the Bank required
19 to be made under article II, section 7 (i), of the Articles
20 of Agreement of the Bank, is authorized and directed to
21 issue special notes of the United States from time to time
22 at par and to deliver such notes to the Fund and the Bank
23 in exchange for dollars to the extent permitted by the re-
24 spective Articles of Agreement. The special notes provided

1 for in this subsection shall be issued under the authority and
2 subject to the provisions of the Second Liberty Bond Act, as
3 amended, and the purposes for which securities may be
4 issued under that Act are extended to include the purposes
5 for which special notes are authorized and directed to be
6 issued under this subsection, but such notes shall bear no
7 interest, shall be nonnegotiable, and shall be payable on de-
8 mand of the Fund or the Bank, as the case may be. The
9 face amount of special notes issued to the Fund under the
10 authority of this subsection and outstanding at any one time
11 shall not exceed in the aggregate the amount of the sub-
12 scription of the United States actually paid to the Fund, and
13 the face amount of such notes issued to the Bank and out-
14 standing at any one time shall not exceed in the aggregate
15 the amount of the subscription of the United States actually
16 paid to the Bank under article II, section 7 (i), of the
17 Articles of Agreement of the Bank.

18 (d) Any payment made to the United States by the
19 Fund or the Bank as a distribution of net income shall be
20 covered into the Treasury as a miscellaneous receipt.

21 **OBTAINING AND FURNISHING INFORMATION**

22 **SEC. 9.** So long as the United States is a member of
23 the Fund or of the Bank, the President may require at
24 any time, in the manner and under the penalties provided

1 in section 5 (b) of the Trading With the Enemy Act, as
2 amended (U. S. C., title 50 App., sec. 5), the furnishing of—

3 (a) any data that may be requested by the Fund
4 under article VIII, section 5, of the Articles of Agree-
5 ment of the Fund; and

6 (b) any data of the type which may be required
7 under section 5 (b) of the Trading With the Enemy
8 Act, as amended, and which in his judgment is essential
9 for the guidance of the United States in its participation
10 in the Fund or the Bank.

11 FINANCIAL TRANSACTIONS WITH FOREIGN GOVERNMENTS

12 IN DEFAULT

13 SEC. 10. The Act entitled “An Act to prohibit financial
14 transactions with any foreign government in default on its
15 obligations to the United States”, approved April 13, 1934
16 (U. S. C., title 31, sec. 804a), is amended by adding at
17 the end thereof a new section to read as follows:

18 “SEC. 3. While any foreign government is a member
19 both of the International Monetary Fund and of the Inter-
20 national Bank for Reconstruction and Development, this
21 Act shall not apply to the sale or purchase of bonds, secu-
22 rities, or other obligations of such government or any politi-
23 cal subdivision thereof or of any organization or association
24 acting for or on behalf of such government or political sub-

1 division, or to the making of any loan to such government,
2 political subdivision, organization, or association.”

3 **JURISDICTION AND VENUE OF ACTIONS**

4 **SEC. 11.** For the purpose of any action which may be
5 brought within the United States or its Territories or pos-
6 sessions by or against the Fund or the Bank in accordance
7 with the Articles of Agreement of the Fund or the Articles
8 of Agreement of the Bank, the Fund or the Bank, as the
9 case may be, shall be deemed to be an inhabitant of the
10 Federal judicial district in which its principal office in the
11 United States is located, and any such action at law or in
12 equity to which either the Fund or the Bank shall be a
13 party shall be deemed to arise under the laws of the United
14 States, and the district courts of the United States shall
15 have original jurisdiction of any such action. When either
16 the Fund or the Bank is a defendant in any such action, it
17 may, at any time before the trial thereof, remove such ac-
18 tion from a State court into the district court of the United
19 States for the proper district by following the procedure
20 for removal of causes otherwise provided by law.

21 **STATUS, IMMUNITIES AND PRIVILEGES**

22 **SEC. 12.** The provisions of article IX, sections 2 to 9,
23 both inclusive, and the first sentence of article VIII, section
24 2 (b), of the Articles of Agreement of the Fund and the
25 provisions of article VI, section 5 (i), and article VII,

1 sections 2 to 9, both inclusive, of the Articles of Agree-
2 ment of the Bank shall have full force and effect in the
3 United States and its Territories and possessions upon
4 acceptance of membership by the United States in, and
5 the establishment of, the Fund and the Bank, respectively.

79TH CONGRESS
1ST SESSION

H. R. 2211

A BILL

To provide for the participation of the United States in the International Monetary Fund and the International Bank for Reconstruction and Development.

By Mr. SPENCE

FEBRUARY 15, 1945

Referred to the Committee on Banking and Currency