

From : The National Advisory Staff Committee
To : The National Advisory Council
Subject : Bank for International Settlements

Problem

In July, 1944, at Bretton Woods the following recommendation was adopted:

"The United Nations Monetary and Financial Conference recommends the liquidation of the Bank for International Settlements at the earliest possible moment."

The problem presented is what further steps, if any, should be taken by the United States Government to secure the implementation of this Resolution.

Discussion

Shortly after the adoption of the Resolution on the BIS at Bretton Woods the Secretary of the Treasury, with the concurrence of the Secretary of State, sent communications to all the member countries whose representatives adopted the Resolution and requested that steps be taken to implement the Resolution immediately. Subsequently, a series of communications were sent to the British by Secretaries Morgenthau, Vinson and Snyder requesting that representatives of the two governments meet in order to make plans for the implementation of the Resolution. The results of these efforts by the United States have been practically nil. After great urging, the British tentatively agreed that the BIS should be taken over in part by the International Bank and International Monetary Fund. This tentative decision has never been made final.

It is clear that the United States policy directed toward liquidation of the BIS has been unsuccessful. Available information indicates that Resolution V was adopted in part because it was felt that the BIS would be a serious competitor of the International Bank and International Monetary Fund and would serve no useful purpose in the international financial field. In addition, some representatives at the conference felt that there was some indication that the BIS had collaborated with the Germans during the war.7

At the present time neither the International Bank nor the International Monetary Fund believes that the BIS will become a competitor of either institution. Moreover, it is felt by these institutions that under proper arrangements, which they state already in part exist, the BIS may prove to be of some use to them. As to the changes of collaboration, the matter is contentious and not necessarily important to determinations of policy regarding the BIS under changed conditions. The BIS is apparently willing to compensate the Allies for the looted gold it received from the Germans during the war.

A principal consideration, quite apart from the foregoing, is that the majority, if not all, of the countries whose representatives joined the United States representatives in adopting Resolution V, appear no longer disposed to carry it out. This is clear not only from statements made by representatives of these countries but also by the fact that the BIS has been assigned the function of clearing agency for the European Clearing Union. It is apparent, therefore, that unless the United States attempts to bring about the liquidation of the BIS no efforts will be made by any other country toward that end. It is also apparent that there would be even greater resistance to its liquidation at this time than there was immediately after the Resolution was adopted. Thus, even if the United States were prepared to continue to urge the implementation of Resolution V, there is considerable doubt as to whether we would be successful.

In view of these factors, it is the opinion of the Staff Committee that the United States should not press for the liquidation of the BIS, and that this position should be made known by the United States Executive Directors on the Fund and Bank to their respective Boards of Directors. Unless some other member country desires to pursue the matter further, no further action such as formal revocation of the Bretton Woods Resolution would appear to be necessary.

As far as the operations of the BIS with its dollar funds are concerned, the Federal Reserve Board will continue to inform the Council of any proposed transactions which involve significant questions of foreign financial policy. The Treasury Department intends to proceed with the unblocking of BIS funds under appropriate conditions and safeguards.

Recommendation

The following action is submitted for the consideration of the Council:

The National Advisory Council requests the United States Executive Directors on the Fund and Bank to make a statement before their respective Boards of Directors informing them:

- (a) that the United States Government will no longer urge the implementation of Bretton Woods Resolution V; and
- (b) that unless any other member country desires to pursue the matter further, the United States Government regards the issue as closed."