

Date April 24

TO: Mr Martin -

Discussed at
meeting this morning
E.Q.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

M. S. SZYMCAK
MEMBER OF THE BOARD

April 14, 1949.

Dear Bill:

The attached copies have been
transmitted to me by Mr. Mendels, Secretary
of the Ad Hoc Committee and Secretary of the
International Bank for Reconstruction and
Development.

Kindest personal regards.

Cordially yours,

M. S. Szymczak
M. S. Szymczak.

Honorable William McC. Martin, Jr.,
Assistant Secretary of the Treasury,
Washington 25, D. C.

*P.S. As to paragraph 6 (new) - I think
all but last sentence should be
omitted.*

COPY

British Embassy
Washington

April 4th, 1949

CONFIDENTIAL

Dear Mr. Mendels,

The draft report of the 'Ad Hoc' Committee of the Board of Governors dated 11th February has been carefully considered by Sir Stafford Cripps and his advisers, and I am now authorized to state that we are firmly in favour of something on the lines of Proposal No. 2 as a long-term objective but feel that it would fail to command the necessary degree of support at the present time.

On the whole therefore we favour acceptance of Proposal No. 1 on the understanding that this is an experimental arrangement which would be reviewed by the 'Ad Hoc' Committee at a date not less than two years after it has become effective. We should like to stress the importance (at any rate long term) of having Executive Directors holding high posts in their own countries, and think it important also to underline in our recommendations the advisability of part time service by the resident Executive Director or Alternate.

I therefore propose for the consideration of my colleagues on the 'Ad Hoc' Committee that we should re-draft the report to recommend a single proposal for acceptance by the Governors, and for that purpose I attach a suggested new paragraph 68 and amendments to paragraph 69. We also consider that it is important to retain the provision to name 'Ad Hoc' alternates on the lines of paragraph 70 (d).

I should be grateful if you would communicate with M. Frere, Dr. Soong, Mr. Machado, Mr. Lehtinen and Mr. Szymczak and ascertain whether the above single compromise proposal would be acceptable to them.

Yours sincerely,

Signed: JOHN TAYLOR

REVISED RECOMMENDATIONS & PROPOSAL No. 1RECOMMENDATIONS

X (New paragraph) 68. The Committee believes that the effectiveness of the International Bank would be strengthened by the selection of Executive Directors who are in a position to speak with authority and knowledge of the policies of those countries which they represent, and in which they are resident for the greater part of the year. It is recognised, however, that the immediate implementation of this policy in full would lead to too great and rapid changes in the present structure. The Committee therefore submits the following proposal for the consideration of the Governors as an immediate but experimental development. The Committee recommends that the Ad Hoc Committee should be reconvened at a date not less than two years after the following proposal has become effective.

69. (a) No change.

(b) No change.

(New paragraph) (c) Either the Executive Director or his Alternate should be a qualified person resident at or near the seat of Bank. The amount of time to be devoted to the Bank by the resident Executive Director or Alternate is a matter for decision by each country or group of countries, but in the interests of the economic management of the Bank it is desirable that he should wherever possible combine his Bank functions with some other public appointment.

(d) In any case as in existing 62(c) et seq.

COPY

Brussels, April 1, 1949.

Dear Mr. Mendels,

I well received your cable of March 30, suggesting that the Deputies Report should become the Report of the Governors and be submitted with some slight alterations to the members of the Board of Governors.

I have been informed at the same time that instructions were given to Mr. Taylor in Washington with regard to the Draft Report.

For my part, I should much prefer to present only one solution to the Board of Governors, that solution being proposal Nr. One.

I wish Mr. Szymczak, Mr. Taylor and our other colleagues should discuss the question together and let me know their views.

I shall then be in a position to ascertain definitely Mr. Eyskens' position.

It seems now clear that there is no need for any further meeting of the Committee.

Believe me, dear Mr. Mendels,

very sincerely yours,

MAURICE FRERE.