

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, March 13, 1944, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper
Mr. Evans

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Goldenweiser, Director of the Division of Research and Statistics
Mr. Dreibelbis, General Attorney
Mr. Thomas, Assistant Director of the Division of Research and Statistics
Mr. Wyatt, General Counsel
Mr. Gardner, Chief of the International Section, Division of Research and Statistics
Miss Bourneuf, Associate Economist in the Division of Research and Statistics

This meeting was called for the purpose of reviewing recent developments in connection with the plan for international monetary stabilization and to determine what, if any, instructions the Board might wish to give to its staff in connection with their participation in further discussions of the plan. Before the meeting there had been sent to the members of the Board copies of (1) a preliminary draft dated February 1944 of a proposed "Joint Statement by Experts of the United and Associated Nations on the Establishment of an International Monetary Fund" and (2) a memorandum dated March 10, 1944, from Mr.

-2-

3/13/44

Goldenweiser to which was attached a brief statement relating to the positions taken by the Board's representatives at discussions of the proposed fund.

Mr. Szymczak suggested that the question before the Board was whether it would be willing to accept the plan in principle in substantially its present form or whether it would want to suggest changes. There was general agreement on the part of the members of the Board that if a plan were to come into existence it might not be possible for the Board to propose any fundamental changes at this time as that would require renegotiation of the whole plan as thus revised and possibly create indefinite delays.

In a discussion of the extent to which the fund might be used to effect capital movements, the opinion was expressed that the transactions in the fund should be limited to movements of commercial funds in which, over a period, there should be a balance between the different countries, and that movements of capital funds should be accomplished in some other manner, such as through the medium of an international investment bank or some other channel. The discussion of this point emphasized again the belief that the proposed stabilization fund should be regarded as only a small part of the program that would be required to meet the international financial problems of the postwar period and that, if the fund were to be successful at all, there would have to be decisions on several other more important matters such as

-3-

3/13/44

long-term foreign investment policies, lend-lease, rehabilitation, and foreign trade.

Possible objections to the plan in its present form were mentioned, and Mr. Goldenweiser said that the United States would be justified in contributing to the fund in the hope that, notwithstanding its recognized defects, in the long run it would contribute effectively to a functioning world and therefore would be in the long-term interest of this country, that if the fund would bring about effective currency stabilization for a period of from 5 to 10 years, which was entirely possible, it would be worth whatever contribution the United States might be called upon to make, that some such plan was the only hope for stabilizing the exchanges after the war, and that the question was one of the alternative courses of action that might be pursued.

A majority of the members of the Board agreed that, in view of the Board's fundamental interest in the problem of international movements of funds and the effects of such movements on monetary and credit conditions in this country, the Board should have a voice in the selection of the American member of the board of directors of the fund.

In a further discussion, inquiry was made whether the Board should take a position with respect to the plan at this time and whether, in fact, it was called upon to do so. In this connection it was suggested that it might be difficult for the Board's representatives to continue to participate in the discussions of the plan without creating

-4-

3/13/44

the impression that the Board was being kept informed of developments and was therefore in general agreement with what was being evolved.

Mr. Goldenweiser suggested that about all the Board could do at this time would be to say that the plan seemed to be about as good as could be worked out under the circumstances, but that it raised a number of much more fundamental and important questions with which the stabilization fund would not be prepared to deal, and that the Board did not believe the fund could be effective in accomplishing the results hoped for without some solution of these other questions. If that were done, he said, the Board's representatives could say in further discussions that the Board had no specific suggestions to make with respect to the plan but regarded it as only a part of a much larger and more important picture. He also said that the question of the timing of discussions on a policy-making level was one which the technicians should not undertake to determine.

Reference was made to the fact that the discussions of the plan up to this point had been strictly on a staff level and that none of the interested heads of agencies of the Government had in any way committed himself to what had been done. It was felt that in these circumstances the Board was not called upon to take a position with respect to the matter at this time, but that the members of the Board should continue to follow developments, and that if and when Chairman Eccles met with representatives of the other agencies at the policy-making

-5-

3/13/44

level he would be prepared to say that the Board would undertake to express an opinion on the matter when the other interested agencies of Government did so.

At the conclusion of the discussion it was understood that Mr. Goldenweiser would say to the Treasury staff representatives participating in the discussions of the plan that the Board was interested in the fundamental issues, of which the stabilization fund was only a part, and that it should be understood that the Federal Reserve representatives participating in the discussions were not speaking for the Board in any way.

At this point Messrs. Goldenweiser, Dreibelbis, Thomas, Wyatt, and Gardner and Miss Bourneuf withdrew from the meeting, and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 11, 1944, were approved unanimously.

Letter to Mr. Leland, Chairman of the Federal Reserve Bank of Chicago, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Chicago, made as of January 15, 1944, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also furnished President Young, who commented on his review of the report of examination in his letter of February 23, 1944.

3/13/44

-6-

"The Board will appreciate advice that the report has been considered by the board of directors. Any comments you may care to offer regarding discussions with respect to the examination or as to action taken or to be taken as a result of the examination will also be appreciated."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. S. ...
Chairman.