

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, June 19, 1944, at 10:30 a.m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the Chairman
Mr. Thomas, Assistant Director of the Division of Research and Statistics
Mr. Knapp, Economist in the Division of Research and Statistics

Chairman Eccles stated that he had asked for this meeting to discuss certain questions which had been raised in connection with the attendance of representatives of the System at the international conference which had been called to convene at Bretton Woods, New Hampshire, on July 1, 1944, in regard to the plan for an international monetary fund.

He reported that he had talked by telephone with Mr. White, Director of Monetary Research of the Treasury, with respect to attendance at the conference as a member of the technical staff of Mr. Williams, Vice President of the Federal Reserve Bank of New York, who had expressed opposition to the plan as outlined in the joint statement of experts and who favored the key-country approach to the problem. Chairman Eccles said that he had told Mr. White that he felt Mr. Williams should be given an opportunity to attend the conference as a member of the technical staff, but that he (Chairman Eccles) would not want Mr. Williams to go unless it were agreeable to the Treasury. Mr. White

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discussed the matter with the Secretary of the Treasury and subsequently called Chairman Eccles to say that the Treasury would be glad to have Mr. Williams go with the understanding that Chairman Eccles would assume responsibility for him and that Mr. Williams would agree to cooperate in trying to work out a program within the framework of the joint statement of experts. Chairman Eccles added that he had not discussed the matter with Mr. Sproul, President of the Federal Reserve Bank of New York, but that he would do so today.

Chairman Eccles then referred to the circumstances in which the joint statement of experts had been prepared and the international conference called and stated that, while the Board might not be in agreement with the manner in which the Treasury had handled the matter, since the President had asked him as Chairman of the Board to serve as a member of the American delegation, the only reason he would have for not accepting the appointment would be a position on the part of the Board that it was opposed to the plan as proposed in the joint statement and did not want to be represented at the conference. If that were the case, he felt that he could not attend the conference and would advise the President that the Board felt that it should not be represented at the conference and therefore he was unable to serve. It was his opinion that this course of action would be very difficult to explain and would indicate a fundamental cleavage between the System and the Treasury. On the other hand, he said, if the Board felt that in the interest of

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the System it should have a representative at the conference who should participate in the formulation of a plan within the framework of the joint statement, it should take formal action stating its position and should give him such instructions as the representative of the Board as it might believe to be desirable. He made the further statement that if any member of the Board were not in favor of this action such member would be free to record his position and, at the time the plan adopted by the international conference was considered by Congress, to oppose the plan at any hearings that might be held.

In the discussion which ensued, all of the members of the Board present expressed the opinion that the adoption of a plan within the framework of the joint statement would be desirable and that Chairman Eccles should attend the international conference as the representative of the Board of Governors.

At Mr. Draper's request, there was read the following statement which he had prepared setting forth the reasons for his position in the matter:

"May I make a brief statement about international monetary plans in general and the so-called key country approach in particular. This approach would begin with the adjustment of currencies of England and the United States and would specify later the conditions under which other countries would be brought into a more comprehensive scheme.

"The question our country must answer soon is--Shall we adopt the international or the limited approach to this problem--or do nothing at all?

"Judged solely by the yardstick of easy, technical operation there is something to be said in favor of the

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"limited approach. But judged from the standpoint of human relations, a limited approach is naive, to say the least.

"It is naive because it disregards, or pays lip service only, to the convictions and legitimate aspirations of all but a very few of our allied nations.

"Can you imagine that more than thirty allied nations, banded together to win a desperate war, are going to sit idly by in the ante-room while two nations get together to make critical decisions of monetary policy that may affect all the rest?

"Such a situation will inevitably invite the formation of a number of regional blocs, working at cross purposes with one another, and ultimately adding to world monetary confusion.

"If we reply that the two-power talks are to be progressively widened by inching our way along after the original arrangement has been concluded, then why not--say the other nations--save much precious time and argument by tackling the wider problem at once?

"The fact is that there is no important feature of the limited approach which is not or cannot be included in the monetary fund approach. And in the monetary fund approach there is, of course, much more. There is the consultative, democratic technique which draws no line between the large and the small, the strong and the weak.

"If Britain and America wish to play a leading role in the post war monetary world, they must be prepared, not to divide, but to join with their allies in building an effective framework that will apply to all of them.

"This is not only the co-operative and the international way. It is, in the end, the practical way.

"As to the International Monetary Fund and the so-called International Investment Bank I wish to cast my vote in favor of the principle behind both these proposals.

"The details of both the Fund and the Bank set-up are intricate and involved. In some particulars, they are too much so. But by and large, I believe that both these projects can be made to work and, after the war, will be sorely needed.

"Of course, no one can forecast their future, if adopted, because in so many respects we are sailing uncharted seas. But, in these times, men of imagination must venture into the unknown with boldness and wisdom, for only in that way can we hope to bring order out of chaos in the years after hostilities cease."

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During the discussion further reference was made to the proposal that Mr. Williams, Vice President of the Federal Reserve Bank of New York, attend the conference, and it was suggested that, since the Federal Reserve Bank of New York was the principal Bank through which the relations of the System with foreign central banks and governments were maintained, that Bank should have an opportunity to be represented on the technical staff of the conference, but there was some question whether, in view of his fundamental opposition to the plan as proposed by the joint statement, Mr. Williams would accept appointment as a member of the technical staff knowing that the discussion might be confined to that plan. It was agreed that, if Mr. Williams were invited, the question whether he would attend the conference would be one for decision by Mr. Sproul as the chief executive officer of the New York Bank.

Chairman Eccles made it clear that it was his feeling that if Mr. Williams did attend it should be as a member of the technical staff of the conference and not as an assistant to the Chairman of the Board of Governors.

In connection with this discussion, Mr. Szymczak expressed the opinion that, for reasons which he outlined, Mr. Thurston, Mr. Knoke, Vice President of the Federal Reserve Bank of New York, and Mr. Knapp should also be added to the technical staff of the conference. It was Mr. Szymczak's thought that Mr. Knoke would be especially helpful in connection with any operating questions that might arise.

All of the members of the Board present expressed agreement

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that Chairman Eccles should have full discretion so far as the System was concerned with respect to any additions to the representation at the conference. Chairman Eccles stated that in his conversation with Mr. White the latter said that Mr. Knapp might serve as secretary of one of the conference committees. The reasons which had been advanced for and against attendance by Mr. Thurston were considered, and the Chairman indicated his feeling that such attendance was unnecessary.

At the conclusion of the discussion, upon motion by Mr. Szymczak and by unanimous vote, the Board approved the attendance of Chairman Eccles at the international conference at Bretton Woods as a member of the American delegation representing the Board of Governors, with full discretion to act, according to his judgment as to the best interests of the Federal Reserve System in the light of the available information, on any matters which might require the consideration of the American delegation.

In taking this action, reference was made to the matters which had been discussed at the meeting of the Board on June 6, 1944, as matters of particular interest to the System from the standpoint of the management of the monetary fund and the System's responsibility for the domestic monetary and credit situation. Chairman Eccles stated that he had read the minutes and was familiar with the discussions which had taken place, but that in his opinion the matters referred to, with possibly one or two exceptions, would not come up for discussion at the international conference.

Mr. Ransom stated that in voting for the foregoing action he interpreted it as meaning that it would not in any way prevent him from subsequently expressing his views or position within the Administration or in any Congressional hearing as to either the substance or

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form of any action taken by the international conference outside the framework of the joint statement now before the Board for consideration, or as to developments with respect to the whole problem of international monetary collaboration beyond such action as might be taken by the conference.

In connection with a further reference to the membership of the American delegation, Chairman Eccles stated that he had inquired of Mr. White whether there were to be any alternates to the delegation members and that Mr. White had made it clear that there would not be.

Mr. Szymczak raised a question whether, inasmuch as the System would be represented at the conference, any of the Federal Reserve Banks or their officers should make public statements in opposition to the plan for the monetary fund.

In a discussion of this point, it was recognized that there had been differences of opinion among the directors and officers of the Federal Reserve Banks regarding the proposed plan and that from time to time the Board had received communications from the Federal Reserve Banks on the subject. The Board's conference of June 6, 1944, brought out very clearly some of these differing views, and on June 8, 1944 the Board's Secretary communicated to the Chairmen and Presidents its desire for such further advice as the directors and officers of the Banks might desire to submit. The views that had been received from the Reserve Banks had been considered carefully, and in view of

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all the circumstances, including the Board's general supervisory responsibilities and particularly the fact that the Board's Chairman would serve as a member of the American delegation, it was the feeling of the Board that public expressions of differences of opinion within the System would tend to impair effective representation at the international conference and to destroy any influence that the System might have in subsequent dealings with the outcome of the Conference. The hope was expressed that the Federal Reserve Banks would appreciate these considerations and would refrain from public statements regarding the plan, while continuing to express their views freely to the Board.

In the course of the foregoing discussions, it was unanimously agreed that there should be recorded in the minutes any views or position that Mr. McKee might wish to express following his return to Washington.

At this point Messrs. Thurston, Thomas, and Knapp 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 June 17, 1944, were approved unanimously.

Memorandum dated June 14, 1944, from Mr. Paulger, Director of the Division of Examinations, recommending that the basic salary

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of Robert L. Piper, a messenger in that Division, be increased from \$1,380 to \$1,500 per annum, effective July 1, 1944.

Approved unanimously.

Letter to Major Phillip C. Ferguson, USMCR, San Diego, California, reading as follows:

"The Board of Governors accepts, with regret, your resignation as a Director of the Oklahoma City Branch of the Federal Reserve Bank of Kansas City, which you have submitted in view of the fact that you are a candidate for political office.

"Your interest in and contribution to the Federal Reserve System during the period of your service as Director are indeed appreciated and the Board trusts that your interest will continue after the termination of your official connection with the System. The members of the Board hope that when you are in Washington, you will call at the Board's offices for a visit.

"It is noted that your letter was sent from the Naval Hospital at San Diego, and the members of the Board trust that, if you have not already done so, you will soon have recovered fully from the wounds received during your service with the Marines in the South Pacific."

Approved unanimously, together with a letter to Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, enclosing copies of Major Ferguson's letter and the above reply for his information.

Telegram to Mr. Fletcher, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"Retel. Board extends to July 19, 1944, time within which The Ottoville Bank Company, Ottoville, Ohio, may accomplish membership."

Approved unanimously.

Letter to the "Farmers & Merchants Bank of Orfordville",

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Orfordville, Wisconsin, reading as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

Letter to Honorable William M. Colmer, Chairman of the Special Committee on Postwar Economic Policy and Planning, House of Representatives, reading as follows:

"In response to your letter of June 14 in regard to the preparation by the House Committee on Postwar Economic Policy and Planning of a report on the various economic subjects that come within the scope of its work, the Board, of course, would be glad to cooperate with your Committee. Since it is difficult, however, to determine what memoranda the Board's staff might have that would be useful, it is suggested that Dr. Kaplan confer informally with Mr. Woodlief Thomas, Assistant Director of the Board's Division of Research and Statistics, in the absence of Dr. Goldenweiser, who is out of the city."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. C. C. C. C.
Chairman.