A special meeting of the Board of Governors of the Federal Reserve System and the Presidents of the Federal Reserve Banks was held in the offices of the Board of Governors in Washington on Friday, March 2, 1945, at 10:00 a.m.

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

Messrs. Morrill, Carpenter, Hammond, Goldenweiser, Smead, Parry, Leonard, Dreibelbis, Bethea, Thomas, Vest, Townsend, Van Fossen, Horbett, Pollard, Cagle, Brown, Ellis, Nelson, Boothe, Wyatt, Piser, Roland Robinson, Bergelin, Musgrave, Wood, Williams, Hopkins, Bunce, Gehman, Gardner, Domar, Stettner, Garfield, and Dirks, and Misses Burr and Butler of the staff of the Board of Governors

Messrs. Flanders, Sproul, Williams, Gidney, Leach, McLarin, Young, Peyton, Leedy, and Gilbert, Presidents of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, and Dallas, respectively

Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco

Messrs. H. R. Bowser, John H. Williams, H. V. Roelse, C. A. Sienkiewicz, K. H. MacKenzie, E. A. Kincaid, L. B. Raisty, Walter B. Garver, Henry Edmiston, A. R. Upgren, C. O. Hardy, J. C. Dolley, and O. P. Wheeler of the staffs of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco

Chairman Eccles stated that this meeting had been called for the purpose of hearing statements by System economists in connection with the papers which had been prepared, in accordance with the suggestion made by Mr. Goldenweiser last year, on the subject of economic problems and policies in the postwar period.

Mr. Goldenweiser stated that this was the second of a series of meetings (the first having been held on December 12, 1944) for the purpose of discussing studies which had been made of postwar problems. The first meeting, he said, had been given to a consideration of banking and credit policy and this meeting would be devoted to the broader subject of economic problems and policies in the postwar period. He also said that, while the papers that had been prepared were too numerous for all of them to be discussed at this meeting, a selection had been made of papers which had a more direct bearing on the country's financial problems and that the other papers in the two volumes that were now before the Board and the Presidents could be read and, if desirable, another meeting could be held at a later date. He went on to say that in the papers attention had been centered on the problem of employment as the most important single factor in the postwar picture because that problem affected all other phases of the postwar situation and would determine the level of prosperity.

Mr. Goldenweiser discussed some of the points covered by the paper which he had prepared under the title "Jobs", and then called

upon the following, who reviewed the principal points presented in the papers listed below:

C. O. Hardy	Price control in the transition period.
Richard Musgrave	Postwar fiscal policy.
L. M. Piser	Open market and Treasury financing policies.
Frederick C. Dirks	Postwar capital formation and its financing in manufacturing and mining industries.
Ernest J. Hopkins	Long-term needs of small business.
Walter R. Gardner	International balance and American prosperity.

Mr. John H. Williams was called upon for a concluding statement and said that he would confine his comments to Mr. Musgrave's paper on postwar fiscal policy. He then made substantially the following statement:

I agree with Mr. Musgrave entirely that many of the postwar plans that have been put forth on taxation are unrealistic because they assume a smaller volume of expenditure than we are likely to have. I find it very difficult to reduce the Federal expenditures below $20 billion. In dealing with taxation we are dealing with the choice of evils. All taxation is restrictive and it is a question of what kind of taxation would be the least restrictive.

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There is one change in fiscal theory that disturbs me. We thought of the absorption of idle savings as a proper function of taxation. Mr. Musgrave has demonstrated that when the country has a highly progressive income tax the probability of further absorption of idle savings is very limited. Therefore, I have come to the conclusion that we have to have a mixed tax system. When you talk about taxation to stimulate investment and consumption you run into the choice of evils again, and you have to come out with fairly high taxation all around. Therefore, I think the Committee on Economic Development's program, for example, is unrealistic.

This raises questions in my mind about the future usefulness of the whole fiscal approach. Mr. Musgrave has a tabulation which shows that if expenditures are small we will have to have a fairly large deficit but if they are large we can have a balanced budget. I am dubious of that. I believe it is purely mechanical reasoning. It rests partly on time period analysis and partly on the fact that the Government does not have to have a propensity to save. That kind of reasoning leaves out the qualitative forces that are at work and I do not

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agree with it. I think that as expenditures increase the problem of budget balancing will get harder and harder and not easier and easier.

There is still another aspect to the matter. When Government expenditures get as large as this you are bound to ask, what are they doing to the economy. The principal point of the fiscal theory is to make private business work better, but when you get up to this level you are bound to ask what these expenditures are doing to the private economy. It is inevitable that it will take its place to an increasing degree. We seem to be under the necessity of working toward larger figures and yet we are always optimistic. The point is made that if the Government debt increases in proportion to the national income there is no need for anxiety. However, if this happens over a short period, the public part of the total expenditure will have to be increased far more, that is, if the national income is doubled, public expenditures are tripled or quadrupled.

My feeling is that we have never found very firm ground on which to stand. Therefore all of the conclusions are suspect until they are proved. Up to now it has been largely a record of shifting position. We talked about priming the pump in the beginning but that did not last

very long. That seemed to imply small and temporary deficits. Then we went to the phase that private enterprise was contracting and this suggested a more or less permanent deficit. They were complaining that deficits of $3 or $4 billion in the late thirties were too small, and they were asking for deficits of $10 or $15 billion. Even full employment requirements were much smaller than we are now talking about, but they have now satisfied themselves that we can almost balance the budget after the war and have full employment. If they had pursued their prewar reasoning, they would have to talk about deficits of $15 or $20 billion a year. Somewhere between then and now they have completely shifted their position.

I think I know what happened. First, there has been a change of climate, and economists are susceptible to that. The public is now anxious about the debt and economists, therefore, have become so. They endeavor now to prove that you can balance the budget, or very nearly so, after the war. However, they are interested in large and even growing public expenditures. I think there is a lot to be looked into on that point before we can accept it as a guide for postwar policy. All of the models that I have seen for the postwar assume the largest estimates of

consumption and private investment that are reasonable. They have to do that in order to make the figures of public expenditure seem acceptable, and so we find ourselves switching from the view that private investment has a tendency to contract to the view that it will expand in the long run.

This all leads up to the thought that it is by no means proved that fiscal policy will do the job. My belief is that it will not, although I agree that it will be very important and there will be a vast difference between a good fiscal policy and a bad one, but I can't have very much confidence in it as a prop on which to rely. At any rate, it will have to be joined up with a good many other forms of attack. We are talking about a level of production 50 per cent above peace times. Private enterprise has to be made to work in itself and not merely have its weaknesses compensated for by public expenditure. Public expenditure could not be the primary attack. Therefore, I attach a great deal more importance to price and wage policies and matters of that kind which are much more difficult to deal with because you can not make quantitative generalizations. Nevertheless, that seems to me to be the fundamental approach. We should

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strive as we come out of the war to maintain existing wage scales as far as we can. Many adjustments will have to be made, but we do have an opportunity to retain this large consumer income that has been created and it would be very difficult to do that if we started at a lower level and tried to bring it up. Now that we are here we should try to stay on this high plateau of consumer income, and that would be a much more fundamental and fruitful approach than through fiscal policy. I do not say that it should not be backed up with fiscal policy but that would be secondary. The best single hope for the postwar period is to rejuvenate the spirit of enterprise. We have had miracles in our history before and if we could do the automobile all over again that would be the best way to get at it.

I think that economists should try to get at the bottom of the assumptions with respect to the tendency to oversave. I think it has been largely a bland assumption. There isn't much statistical foundation for it. As near as we can tell, what has happened in this country has been the maintenance of constant relations between consumption and investment. If that is the fact, then I do not think we need to worry too much about excess savings

because it would suggest moderate deficits at most.

If we rely primarily on fiscal policy after the war, I think we will fail and will be on the road to what we know as central planning and after that some kind of totalitarian state.

Following some further comments by Mr. Musgrave in connection with Mr. Williams' statement, Mr. Flanders outlined the reasoning underlying the Committee on Economic Development's tax program. He also stated that he was concerned in every sense with the implications of full employment and the statement "there should be more jobs looking for men than men looking for jobs". He said that that had very serious implications with respect to the necessity for continuing wage controls. If you have more people looking for goods than there are goods looking for consumer dollars, you are driven to price control. He thought that much that we are working on leads to the perpetuation of controls and that was the aspect of the matter about which he was concerned. He added that it looked as if a certain amount of economic uncertainty and distress was necessary to a free economy.

The meeting then recessed and reconvened at 2:15 p.m. The attendance at the afternoon session was the same as at the morning session except that some of the Board and Bank staff were not present and Mr. Bopp of the Philadelphia Bank and Mr. Triffin and Miss Bourneuf of the Board's staff were in attendance.

Mr. White, Assistant Secretary of the Treasury, Mr. Acheson, Assistant Secretary of State, and Mr. Bernstein, Assistant Director of Monetary Research of the Treasury Department, were also present for the purpose of discussing the Bretton Woods agreements.

Following an introductory statement by Chairman Eccles, Mr. Szymczak presented Mr. Acheson who made substantially the following statement:

> It will be clear to you that I can not add anything to what you know with respect to the provisions for the agreements for the Fund and the Bank and their operations. The only thing I can do is to give you some conception of the part which we in the State Department think the Bank and the Fund play in the total program of the Government for peace, and a little of the problems which we see facing us after the war. I suppose that anyone in my position might start by trying to give you an idea that the future perhaps is not as dark as it looks, that the Government is sure everything will turn out all right, and that the thing to do is to keep smiling and go ahead. I wish I could do that, but I would be about as dishonest as anyone could be if I attempted it. To us the future looks very dark indeed. It seems to us that the destruction during the years before the war and the destruction during the

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war have gone so deep into the whole basis of civilization that it is not quite a touch-and-go question but almost whether anything can be saved and something rebuilt. Something will be rebuilt and mankind will go on, but whether it will be anything we value or whether it will be anything like we value, we regard as an open question. The question can be answered favorably only if supreme efforts are made on all fronts.

Before the war started we had political, economic, and social questions of the most fundamental sort. None of those were solved. While we were at work on these problems we were plunged into the war and various nations had to take steps which did not solve those problems but accentuated them, actions which they felt were necessary to prepare them for the war that was to come. What had happened was that people thought they were discovering something. I don't know whether they did or not but great masses of people began to believe that the troubles that came to them in the past were not necessary, that things were not as automatic as they had been led to believe, and that through action of Government all of these things could be effected. Great masses of people believed that everywhere.

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Then we came into the war situation. I suppose never in the history of civilization has so much devastation occurred as in the last six years and it may go on for the next two years. Economies have been destroyed, people have been killed and lands have been ravished, the whole balance of power in states has been changed. So we are not faced with only economic problems but other problems as well. A great empire has ceased to be the greatest of all and another has become, perhaps, the strongest of all of the powers. In every country there are social questions that go to the very foundation of the stability of governments and social systems. I don't think that is over-drawing the picture or painting too dark a picture. I think that is a true picture.

In the face of that it seems to those who have responsibility that this matter must be attacked on all fronts at the same time. It must be attacked with one theory; that is, one of collective security; that must be in the political and military field and in the economic field. If we waste one day, or one week, or one month, the situation may get utterly beyond the power of any of us to remedy. That is the purpose of the meeting in San

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Francisco, to see whether it is possible in the political and military sphere to take in an ideological problem, not to fool with the idea that all states are sovereign states, that Costa Rica is as important as Russia, but to deal with the problem of collective security.

That problem has two parts: (1) to insure, as far as human beings can insure, that the policy of the greater powers is going to be a unified policy; to make it as sure as anyone can that Britain, Russia, France, China, and ourselves do not fall out. The unity of policy of the great powers is the heart of the San Francisco program. You may say, if you like, that immediately brings power politics into the discussion. That is a foolish expression; all politics have to do with power. If they didn't they would not make any sense. The objective is not to fool with phrases or say that power politics is bad but to introduce into politics the civilizing influence of law and morality and the spirit of mankind. That is the other part of the San Francisco program.

It would do little good to pursue that course and let the causes of decay go on. Therefore, we must bring collective security into monetary policy as well as in many other

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fields. It must be dealt with on a collective basis and must offer to the nations some chance of actual aid in carrying out what we wish them to adopt and what they should adopt and are willing to adopt as the basic principles out of which their rebuilding will come.

To us in the State Department what this means, what we are saying to the nations, is that our only chance of survival and dealing with this problem and the tremendous social unrest that is going on in the world is that as soon as possible we should begin to expand production and exchange of goods to give the people hope that by following through a course of collective action they can get the good life which they are all seeking. We say to them that we ask you to undertake certain obligations; don't pull out of your pocket, as soon as the war is ended, every weapon of economic warfare that has been sharpened through the war years; don't believe that you can export the misery from your own country to another country. Let us undertake a series of commitments which will mean peace instead of war in the economic and monetary field. The Fund and the Bank are institutions which will enable you to do that. They will give you a chance and the world a chance so that, instead of sinking into fratracidal

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squalor, we can start on the course of expanded production and get relief from these desperate problems. That is the place that is filled by the Bank and the Fund. It comes right on the threshhold of a time when it could turn us one way or the other. We hope that through this we can turn from war to collaboration. We have been working for many years on this problem. There have been discussions with country after country. This thing has gone on in season and out of season. A plan has now been made. What is far more important than the principles of the plan is the miracle of the plan, which is, that you have been able to get an agreement of these technicians from all over the world, with different problems before them, to a plan that is as complicated as this. Anyone here who is competent in the field could have written it better than it is at the present, but that isn't the point. It isn't something that one person could do, it is something that hundreds had to do, and the miracle is that it has been done. The thing isn't to say that it should be changed, but does this go in the direction that we should go; does it help with the central problem? If it does, let us debate it on the basis, do we want it or not and, if we do, accept it. Indicate to the world that we really do believe in collective action and are prepared

to go on that road.

Mr. Szymczak then presented Mr. White who made substantially the following statement:

Our approach to the Bank was simple. In a group of this kind it is not necessary to dwell on the need for foreign capital that is prevalent throughout the world. There never was a time in history when there was such a need for capital as there will be in the next five or ten years. There never has been a time when the investor will be more reluctant to lend to foreign countries, except at extremely high rates of interest. There probably has never been a time when it has been so important politically, economically, and socially to enable many countries that are badly in need of capital to get it. They have to get it on a working basis. They have to get facilities established so that they can begin economic life. Unless they can do that rather quickly or make progress sufficiently rapidly so that there is a reasonable degree of business activity there is going to be a continuation not only of depression in those countries, which is bound to spread, but also severe disorder, and Governments will be overturned. Therefore, we are confronted with the fact that investors will be very reluctant to undertake risks that would be

called for and that there will be a need for countries to get on their feet. It is to be expected that something would be devised like the Bank for Reconstruction and Development, which would interfere as little as possible with the money markets of the world, and step in when necessary to help investors to take those risks. That is what the Bank will do. Many of the loans will be risky and there will be some losses. That is one of the reasons why we insisted that the Bank be an international bank rather than to take the risks by ourselves. We felt that the benefits would be world-wide and that other countries should bear part of the risk. We felt that the country best able to bear the risk and which would get the most benefits from the program should take a large share of the risk. Therefore, we have underwritten 1/3 of the subscription to the Bank. Defaults will be met first from the reserve funds. If these funds are not enough, participating members will be called upon and we will have to pay whatever is necessary but our maximum commitment is $3 billion. The most pessimistic do not think that our losses will be any substantial part of our investment.

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In the Bank we have met the needs for capital. No country that has a need for capital for development purposes should be unable to arrange a loan. We feel, therefore, that we have made a long step in solving that particular problem. If the capital market is willing to make the loan in any particular case that would be fine and the Bank would do no business. The ideal situation would be for the Bank to make no loans.

The other problem which we regard as at least as important, if not more so, can not be so simply solved. The tendency was strong before the war and will be terrifically keen after the war to try to capture as much of the export markets as possible. That is perfectly understandable. England is an outstanding illustration and there are a number of other countries. England has lost most of her trade, her gold holdings have substantially decreased, her liabilities have increased, and her back is to the wall. She doesn't know how much trade she will be able to recapture, or how soon she can get into production to compete with us. She is much concerned, and justly so, and she will leave no stone unturned to increase her exports. They would prefer, as they have told us, to pursue a reasonable monetary, trade, and credit policy and they

would prefer to adhere to the same principles as we term conservative principles in the monetary field, but they don't feel that they can afford to do so. They feel that they must have a free hand to undertake whatever measures are necessary to increase their export trade. Other countries feel the same way, or more so, because they do not have the same sense of responsibility that England has.

Unless something is done, countries are going to undertake a struggle for foreign markets that will make past struggles look like a tea party. That is not true of all countries. South American countries have accumulated large purchasing power. Over the first couple of years there may not appear that anxious struggle for foreign markets that is certain to develop shortly thereafter. The fact that these countries are going to resort, if necessary, to these devices puts us in a dangerous position because we don't want to take any of those measures. We don't want to change the gold value of the dollar. We don't want to engage in multiple currency practices, discriminatory bilateral arrangements, etc. We would like to say we don't like to undertake subsidies but unfortunately we have.

We have everything to gain by having all of the other countries pursue a commercial and monetary policy that is

in accord with our conception of what such a policy should be. Now, how can we get those countries to pursue a course that we feel is in our own best interests as well as for the long-run best interests of the world? That is the premise upon which we started the International Monetary Fund. How could we get stable exchange rates? Kemmerer would say, "Get the countries back on the gold standard." But whether we like it or not, the fact is that the other countries are not going to return to the gold standard. They have stated so officially. There isn't the slightest chance of getting other countries to return to the gold standard. You are familiar with the situation in England in the thirties when they felt that their troubles were due to the gold standard. It isn't important whether they are right or wrong, the important thing is that what they believe is what will determine their policy. The British Government has taken the official position that she will never again put herself in the position she was in in the thirties where she suffered a depression in order to adhere to a fixed rate of exchange. Other countries feel the same way perhaps with less reason. We, on the other hand, look at the situation in the thirties and see the various devices that Germany and Japan resorted to in order to get

trade. We say that must not happen again because if that does happen again there will be a smaller pie of world trade to be divided. If we are to have anything like reasonable employment, foreign trade has to be larger than in the prewar years. If the pie is to be smaller there are all kinds of storms ahead.

What can we do? It isn't that we are writing the ticket. If we were we could write a ticket that would pretty well state our own position. We had to take into consideration that this had to be a collective effort and try to make the best situation, try to get stability of exchange rates, and try to get sufficient flexibility to get the other countries to join. That is what has emerged. If countries agree not to undertake these practices we have referred to, then we have some hope of getting collective action. We, on our part, would agree that there are occasions in a country's experience when the best course may be alteration of exchange values. There would be differences of opinion I am sure, but we recognize that that is a possibility and we are willing to go along with the condition that should, in the opinion of a country, a situation demand a change in currency values, they could present that to the Fund and the Fund could give or withhold

its approval. To withhold its approval for a small country would not be a difficult task, but to withhold it for a major country would be a serious, major step to take. It suffices to say that you would have made some progress in obtaining stability of exchange rates if they would participate in that arrangement. You would not have the gold standard nor would you have floating exchange rates. We would do more than that. A country that would be approached to adhere to a policy of that kind might say that it is nice of you to ask us to agree to these things and to say that you would do likewise, but you have abundant gold reserves, your government is not at stake, etc., but we can not take that position and can not afford to tie our hands unless there is a second line of reserves to which we can go when we have an adverse balance of payments. That seemed reasonable, that, if we were to ask that they do something in our interest and which we think is in their long-run interests, we should be willing to have a joint pool that would give each country some assurance that it could have assistance when needed, or in an emergency. The question arose whether a country could have access to the resources of the Fund as a matter of right or was it to be a privilege to be accorded only if and when the controlling body agreed. We split on

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that. In the preliminary conversations that was the bone of contention around which we conferred for many days. The British took the position, and I use the British as an illustration, that if we were asking them to give us something they should have access to the Fund as a right. We did not accept that thesis. We agreed that there should be a second line of reserves but that should be available only if they subscribed to the principles, adhered to the principles, and were utilizing the Fund in accordance with the principles in the Agreements.

The document which resulted contains provisions which are in accord with the principles we wanted with some slight difference. A country can purchase foreign exchange up to a certain portion of its quota each year but it can do so only if it is utilizing its resources in accordance with the conditions that are stated. If in the opinion of the Fund (and not the member) a country is not using the Fund in accordance with those principles, the Fund can reduce or stop their access to the Fund or expel them from the Fund. Therefore, I think we have obtained largely what we wanted out of the Fund. To look upon the Fund as a means of making stabilization loans is to completely misinterpret the Fund. The Fund is the sugar, of which we

contribute a substantial part. We don't think there is a great deal of risk involved, but even if there were we think we have made a substantial contribution and that there will not be the economic warfare that there would have been without the Fund. To think that you can take funds out of that for stabilization purposes without getting that collective agreement is to misconceive the purposes for which the Fund was conceived.

There have been suggestions that we are going into a postwar period of great emergency, that this is no time for a stabilization fund, and that what we should do is to wait for several years until we can see more clearly ahead of us and see what the proper rate structure is and then begin a fund. I wonder how valid that is. A stabilization fund is to meet emergencies. One of the gravest emergencies that countries are all confronted with is the war and postwar period. It is one of the gravest emergencies and to assume that stabilization should not be used in that period is to fail to recognize the use to which the Fund should be put. This should be said, that the Fund should be large enough so that you can recognize the fact that adjustments in the balance of payments may involve 2, 3, 5, or sometimes 10

years before the swing can be taken up and the country can go from an unfavorable to a favorable balance without undue consequences to its people. We want to give them time to balance their payments in such a way as will not hurt the rest of the world. That takes large resources, a long time, and careful attention of a group of competent people.

In evaluating the Fund I think it has to be looked at in that way. It cannot be looked at from the standpoint that there is a risk in this situation, or what is to prevent this country from doing so and so, or how have you provided for tariffs, or how does this leave the restrictions on imports, etc. We have done the most we could. We think we have a most excellent bargain for the United States. We think it absurd to say that we have gotten all we could. We would like to have gotten a great deal more, but we have in the documents safeguarding provisions, have attempted to foresee the various contingencies, and have tried to block them. Bear in mind that we have had to get a document agreed upon by some forty nations. There is a score of them that do matter very much. We had to get the agreement of those nations. We had to make concessions but they also made a great many concessions. If we now go back to them and say we don't like this provision or that provision

and we would like to write in this amendment or change this provision they will say that they would like to make changes and if we are going to come back with these things then they will come back with theirs. Then you would have another conference.

We have a document that we think will work. It is a document that I am sure will have to be amended. There are objections to it. I am sure we will learn in time that we have done too much of this and not enough of that. But I submit it is a working document and an agreement that we couldn't have done anything better on, and that it will meet the needs which are urgent and which we will have to meet unless we take the alternative. We are not confronted with one good alternative and one bad alternative. We are faced with bad alternatives and in evaluating this document we must do it in comparison with the other alternatives open to us.

Following Mr. White's general statement, questions were asked with respect to the provisions for automatic lending in the Fund, the possibility of scarcity of dollars in the Fund, what would constitute using currency contrary to the purposes of the Fund, the provisions for amendment of the Fund, and the reception of the Bretton Woods Agreements by other countries. These questions were discussed by

Messrs. White and Bernstein.

Mr. Sproul asked why it was thought desirable for the Treasury to take the position that the Bretton Woods Agreements were the only alternative and why any other alternative, suggested in good faith, should not be considered.

Mr. White referred to the long discussions and difficulties involved in negotiating the present Agreements and stated that, if we should now say that we would like to change the Agreements, the practical result would be that other countries would take the same position and there would be a large number of amendments proposed, with the result that we would be no further along two years from now than we are now.

Mr. Sproul suggested that another conference would not be a serious danger to the world if a better program could be worked out.

Mr. White responded that it was felt that the present Agreements were the best that could be gotten from all of the participating nations. He said that the request had been made for anyone to point out specific provisions in the Agreements that should be changed, and that he doubted whether there were any of the provisions that anyone would want to improve that had not already been considered. He also said that the hope that we could get a better arrangement was a dangerous one and would only lead to delays in a very critical period, that the results as shown by the present agreements, on the whole,

were quite satisfactory, although there were many things that the representatives of the United States would have liked but were not able to get, and that the present document that took into consideration the realities and political considerations was a good working document.

Mr. Szymczak asked Mr. Acheson for his opinion of the consequences of delay in the adoption of the Agreements by the United States or of amendments in Congress, particularly in the light of the conference which was to be held in San Francisco on April 25.

Mr. Acheson's response was that the situation would be a very difficult one. He said that the difficulty that anyone representing the United States had to contend with was the grave doubt that always existed on the other side whether our representative did, in fact, represent the United States. With our Government, he said, it was difficult to say whether anyone represented the United States and most of the people in the world were very suspicious and doubtful. In this connection he referred to the recent oil agreements which were sent to Congress for ratification as a treaty and were pigeonholed without action. He said that such situations not only made it difficult for the representatives of the United States but resulted in embarrassment at home for representatives of other countries who participated in such agreements. He felt that, if we should now go back to the other countries and say that we were "off base" with

respect to the Bretton Woods Agreements and that we could not do anything like that, we could not expect to get cooperation from the other countries.

Mr. Sproul inquired what the function of Congress was in connection with the Agreements if the position were taken that it had to accept or reject the Bretton Woods Agreements without change?

Mr. Acheson stated that Congress should either accept or reject the Agreements from the point of view of general policy but that it should not "tinker" with them as it was not a desirable function of Congress to try to rewrite the agreements.

In the discussion at this point attention was called to the fact that there had been discussions with representative members of Congress during all of the various steps of the development of the Agreements, and that the question was not presented to Congress for the first time when the enabling legislation was introduced.

During the discussion, Mr. Szymczak referred to a detailed memorandum on the International Monetary Fund which had been prepared in the Board's offices under date of March 1, 1945, and stated that copies had been furnished to the members of the Board and to the Presidents.

At the conclusion of the discussion Mr. White thanked the Board for the effective help which System technicians had given in connection with the Agreements.

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Chairman Eccles, on behalf of the Board and the Presidents, expressed appreciation of the statements that had been made by Messrs. White, Acheson, and Bernstein.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved: M S Eccles
Chairman.