Committee 1 of Commission I

Convened at 4:00 p.m.

July 4, 1944

Chairman:

The second meeting of Committee 1, Commission I has come to order. This morning we ended by considering Alternative C to Article 2. You remember, in that Alternative number 4 consisted of certain verbal changes and there were certain explanations and that article was referred to our Drafting Committee with materially the changes suggested by the member of New Zealand. Now this afternoon we have to consider Alternatives A and B to the same Section, Section 2. We will consider first of all Alternative A of Section 2. The Alternative reads:

(Alternative read)

You will notice that there are changes proposed in this Alternative which are purely verbal. Instead of "here" you have this word "hereby", In the joint statement it was "in this way". They changed from "in this way" to "thereby". In the joint statement the last clause has three more words which must be a primary objective of economic policy. The alternative drops those words "which must be" and states: "as a primary objective of economic policy". In view of the fact that the changes suggested in Alternative A are purely verbal and, in fact, minor verbal, I would suggest that this Alternative be referred to the Drafting Committee without discussion here. Is that agreeable to you?

Agreed. Alternative A, Section 2 is referred to the

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Drafting Committee.

Now we will look at Alternative B, Section 2 again. Here the change is even less than in Alternative A. This Alternative simply suggests the omission of this word "thereby" or "in this way". There is no other change. So I will also suggest that Alternative B, Section 2 be referred to the Drafting Committee. Is that agreeable to you?

Delegate from

Mr.Chairman, does that mean that these alternatives are going to be referred back to the Committee after the Drafting Committee modifies the three of them?

Chairman:

The Drafting Committee may suggest a reconciliation or a new wording--that we cannot tell--but whatever the conclusions the Drafting Committee arrive at will be reported to this Committee. Is it agreeable to you that Alternative B, Section 2 be referred to the Drafting Committee? I hear no objections. It is so ordered.

Now we will consider Section 3. In Section 3 we have two alternatives--Alternative A and Alternative B.

Alternative A is very simple. I will read Alternative A.

(Alternative A read)

This word "them" in the original draft is "members"-- a change in a single word, thus giving them time to correct maladjustments, etc. in their balance of payments or international measures.

Alternative B. We will look at Alternative B.

(Alternative B read)

This Alternative differs from the Joint Statement in that the Joint Statement starts by an additional phrase "to give confidence to member countries by making the Fund's resources available".

Do you wish to have a discussion on Alternative B? Delegate from Australia?

Mr. Chairman, may I suggest the adoption of B. The language is that the Fund shall inspire the confidence of member countries as well as the public; therefore to mention confidence here looks very strange in my view.

Chairman:

Any further discussion?

Delegate from

Mr. Chairman are we taking the whole clause 3?

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Chairman:

Yes, Section 3.

Delegate from

I will agree with Dr. Keilhau in his comment on the phrase "giving confidence" and that was the reason for the alternative suggested in "B". But there is another alternative which I do not think makes any substantial change in the meaning intended in the original draft but may in ~~effect~~ fact give some difference in meaning. The original draft "thus giving them"-- that members--"time to correct maladjustments in the balance of payments". The alternative says " and to assist them in correcting maladjustments in the balance of payments". There is just a possibility that the original draft might be interpreted to mean that if members did not make adjustments then they would be expected to resort to measures destructive to national and international prosperity./ That, of course, was not intended. We think it better to remove that possible ambiguity by the alteration of the wording.

Delegate from the United States:

Mr. Chairman it does seem as though these were only verbal changes but I think they have some significance and it may be worth the Committee's while to have me explain them as best I can because they have a bearing on other sections that come up later. The word "confidence" may not have been very aptly chosen, but it had a very definite intent which I am afraid it does not carry out. The idea of the word "confidence" was to make it possible for countries to make plans with assurance that if untoward untold circumstances should develop and it would temporarily find itself unable to proceed, it had recourse to the fund. It gave them the

same ~~xxxx~~ sort of assurance as ~~the~~ the Central Bank making it possible for them to lend with the understanding that should there be a temporary decline in the deposits the members could resort to the Central Fund for assistance. This is the same sort of thing in an international way. A country can plan its international financing and feel that if it should fall short there is an international organization to come to its assistance, and that's what is intended. I think the other point brought out by the representative of Australia is a little more important because while the words are very close in Alternative B as they were in Alternative A, they ~~the~~ too change the ~~ambiguity~~ impact (P) (import) of the sentence later because they give the impression that it is the Fund's business to ~~xxxx~~ assist in the correction of maladjustments. This Fund will not be equipped to do this. This Fund's function is to make it possible to delay the consequences of maladjustments and to give the country an opportunity to take such measures as are necessary to correct the maladjustments. This Fund will not be large enough to correct any substantial maladjustments in this war-torn world, and if you should start out with the intention of having the Fund correct maladjustments the Fund will not be able to live up to ~~its~~ purpose.

~~xxxxxxxx~~ Delegate from Australia:

This should also be referred to the Drafting Committee, but I would like to say that the first point about "confidence" might be made on perhaps somewhere else. On the second point I still feel that giving members time is also assisting them to correct maladjustments and the alternative words suggested are appropriate. However, that whole thing might be thrashed out elsewhere than this Committee.

Chairman:

Shall we refer this to the Drafting Committee with the understanding that opinions expressed here shall be taken into consideration by the Drafting Committee? Is that agreeable to you?-- Agreed. I hear no objection, It is so ordered. Now we consider Section 4. In Section 4 the Alternative A xxx -- really, as I can see, there is not a single word of change--there is no alternative at all. It was put there because the whole page was suggested as one alternative. It was not because that alternative had anything particular to suggest with regard to Section 4. I think I am correct in that reading. If so, we will drop Alternative A from our discussion. Then we have Alternative B, D, and E. We have three drafts to consider. I will read first Alternative B. (reads alternative). Alternative D reads as follows: (reads alternative). Alternative E reads: (reads alternative// E--4 and 5). Discussion now open on these alternatives.

Delegate from Belgium:

Mr.Chairman, I suggested the Alternative D, but in view of Alternative E I would suggest that Alternative D should not be discussed here and I am willing to drop it and support E.

Chairman:

The original proposer of D is willing to drop it, so consider only Alternatives B and E.

Delegate from Norway:

As Alternative D was suggested by xxxxx Norway I wish in a few words to draw attention to the reason why this change is suggested. Among all the purposes, the purpose

to promote exchange stability is the one which has been all the time the center of discussion, and I think it would be wise to let that purpose stand out by itself and direct attention. To a great extent/a matter of policy -- that is that is one thing-- and another thing is that what here is stressed as point 5 is in a way a quite different thing because if we completely succeeded in promoting exchange stability there would be no use in making the orderly alterations in a member currency. That is the reason we propose to drop that . May I also say that where in the new proposed five the intention has been to bring the rule here in conformity with the expression concerning alterations in 5 ways that I used in later articles articles of the Draft.

Delegate from Australia:

Australia proposed the amendment contained in Alternative B because while we are entirely in sympathy with it being an objective of the Fund to promote exchange stability we think that exchange stability should be of a certain kind. It should not be exchange stability pursued for its own self. The danger that we see both in the original draft and also in Alternative E is precisely that that Fund may under this feel that it has a directive to aim at -- Exchange stability irrespective of whether that is desirable or not. Now, it is perfectly true that in a later portion of the text provision is made for orderly changes in exchange rates, but there seems to us to be some conflict in the interpretation as to what is done later in the text and that what is here made one of the purposes and policies of the Fund. We think that it would be undesirable, for example, ~~that~~ ~~if~~ Fund if a country were inflating entirely internally

that the fund should seek under those circumstances to promote stability in the case of that particular country. It would obviously be undesirable to try to tie down exchange rates while the country was pursuing a domestic policy of inflation. Such a policy would be undesirable but the harm that it might do would be aggravated by any attempt to aim at stability of exchange rates under those circumstances. If it is only a matter of the public attitude toward this document then it seems to me that the point is met sufficiently by Alternative D which was proposed for withdrawal. And that alternative the proposal to promote exchange stability, was put first in order in the section and that may perhaps meet the point of view of those who fear the possible public reception to any weakening of the references to the exchange stability in this document, but we do feel that promption of exchange stability in itself as an objective should not be one of the policies and purposes of this Fund.

Delegate from the United States.

It seems to me the statements of the Delegate from Norway particularly that the alternative suggested by him comes forward at this time because of other provisions that appear in the Joint Statement of principle. It seems to me that if there are to be changes in the latter language that then the Committee might return to the purposes of the fund. Certainly there is injected into this discussion in the alternative that we amend the provision agreed upon by the content in the Joint Statement of Principles, a very important matter that must be met and resolved upon a later occasion. I trust that the gentleman may await the resolving of those provisions before amending or seeking to amend the purposes of the Fund.

Delegate from Ecuador:

I wish to move that Article no. 4 remain as it is written in the project-- that is to permit exchange stability, etc. (reads 4). I make a motion that it remain as it is without any changes.

Delegate from

I second the motion of the delegate from Ecuador because the amendment of the words "promote and secure stability". It would be easier,for the Bank should not secure exchange stability. For this reason I second the motion.

Chairman:

What is your pleasure? Shall we proceed to vote, or shall we report the opinion here to the Commission?

Delegate from

I should prefer to vote on this matter. I think this is a matter of purpose and I think that unless you hear the opinion of everyone present here the only way to get a good idea of the prevailing opinion is to vote. I think this is a matter to which we must attach the highest importance.

Reporting Delegate:

I think we must consider Article 4 of the Joint Statement. In this Article 4 all clauses with regard to the stability of exchange or the possibility of changing the rates are stated. I think that it would be wise for our Committee in agreement with the proposals of the member of the United States to wait and see how this article would be definitely formulated. If in this article some provisions will be passed providing for rate of exchange then we shall come back to the purposes of the Fund and include the purposes of the Fund in this matter, but I think we all agree that the

principle purpose of the Fund is to promote and secure stability. If we shall agree to compromise in this scope something which will indicate that the Fund will facilitate changes which will prevent the countries to have recourse to avoid competitive discriminations then I think we must come back to this. I should like then to propose we accept the postponement of Alternative D. (reads Alternative D). I prefer this to E, because in paragraph E we give the impression we consider both the establishing of the promotion of the exchange stability and changes as the main objects of the Fund, while the main object is the stability of the countries, so I should like to come back to proposal D and not E.

Delegate from Brazil:

Mr. Chairman I beg to second the suggestion made by the Reporting Delegate because the spirit in which Article 4 or Chapter 4 is drawn up is the spirit of promoting stability, and only consider changes in special cases, so the whole idea in paragraph 4 which is intimately connected with what we are now discussing seems to be the promotion of stability as the governing principle. However, as the American Delegation pointed out, perhaps we might consider this point now of the preamble after having considered the question of par values of member countries to see whether the Committee will approve the general principles laid down in Chapter 4 is that of promoting stability. Generally speaking the Brazilians had rather favored among all the amendments that which has been withdrawn by the Belgium Delegation which seems to be among the members who wanted it more in accordance with the spirit of the Fund. But the suggestion made by the Reporting Delegate to postpone any change in this article of the preamble until such time as we discuss the whole matter in more detail seems to me the best one.

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Delegate from United Kingdom:

I should like to support what has been said here. I hope very much that we shall not proceed at this juncture to put this matter to a vote. It seems to me, Mr. Chairman, that it would be highly undesirable if at this stage we would proceed to vote on matters which to some members at any rate seem to engulf fundamental points of principle. By all means let us proceed. Let us not linger on unimportant points - there are other points. But where these points are involved surely for us to be taking sides before we have a preliminary run through would be a mistake. I therefore support what has been said by the delegate of the United States and the other speakers who spoke in that sense.

Delegate from France:

I wish to support the preceding speakers. I think it is premature to vote at the present time on a matter of principle.

The Chairman:

I think we have devoted enough time to the discussion of this section./ We had a variety of opinions discussed. We have one very important point which we shall bear in mind. This principle affects the nature of the whole fund and what we/are to adopt here should be harmonious with the total which we will build so if it should be agreeable to the committee here I would suggest that we temporarily ask the drafting committee to take this section in hand with due consideration of opinions expressed here and with consideration of proceedings of this committee as a whole not only at the present stage but in later stages. In other words the drafting committee should report somewhat later and not together with other articles.

Delegate from Norway:

It was necessary for us to bring this question up at this time before this committee because as far as I remember the problem which it involves realities should be treated by another committee.

Chairman:

Do I here any objection to my suggestion? If not, so ordered. Now we shall proceed to consider section 5. Section 5 is only alternative A. The Alternative reads: (Alternative read.) The change is in the first part of the section, the second part remaining the same. In the first part we substitute - the alternative substitutes this phrase "multilateral system of payments" instead of "multilateral payment facilities." Then the second part on current transactions of member countries there is a word in respect to current and so forth. What is your pleasure with regard to Alternative A, section 5?

Delegate from Great Britain:

Might we agree to accept that Mr. Chairman?

Chairman:

It seems to be a happy improvement on the wording. Shall we adopt Alternative A, section 5. Is it agreeable to all? I hear no objection, so ordered. Alternative A, section 5 is adopted. Now we proceed to section 6. Section 6 has two alternatives - Alternative A (Reads alternative A). There is no change, but Alternative B (reads Alternative B) - addition of this phrase "in accordance with above principle" and the word "countries" instead of"members". What is your pleasure in regard to the Alternative B? Shall we add or shall we not that phrase "in accordance with the above principle."

Delegate from Australia:

This amendment is also put forward by Australia. It seemed to us that the statement of purposes and policies of the Fund as set out in six gave to the Fund altogether too wide a discretion. It must be remembered that the Fund has the power to refuse member countries access to their purposes if any member is not complying with the policies and purposes of the fund. In addition to that the Fund must take in account the purposes and policies of the Fund. Six says quite bluntly (reads) One way of doing that would be in the case of any disequilibrium to lessen the degree of equilibrium of balance of payments. For a country to follow a rigid policy of deflation such as wage cutting and other policies of deflation which have to be met in such circumstances. Now we doubt if in the present state of knowledge on monetary methods whether this is an amendment which should be adopted. We think there are other ways of correcting disequilibria of that kind and those other ways are preferable. Our proposal is intended to restrict the discretion of the Fund to the principles which were set out under one to five and to eliminate what seems to us a possible objectionable method of correction.

Chairman:

Any further discussion?

Delegate from United States:

Mr. Chairman, if there are no objections as far as the delegates from the United States are concerned we think it means the same thing with the language in as it does with the language out.

Delegate from:

Will we put that in every clause "in accordance with the above purposes."

Chairman:

No the suggestion is only to insert that clause in section 6.

Delegate from [illegible]

Then the remainder will not be in accordance with the purposes?

Chairman:

That of course is not intended.

Delegate from:

Mr. chairman what occurs to me is whether it is really necessary to tell that "in accordance with the above purposes".

Delegate from Mexico:

[illegible] The change of alternatives is contradictory with another phrase in article 3 which says to give time to correct maladjustments since it is the purpose of the Fund to provide shorter credit but what the Fund can do is to maintain this equilibrium without having to take [illegible] restrictive measures and we feel that the wording of that phrase of this article is unfortunate and we should like to propose that it be referred to the drafting committee.

Chairman:

I wonder if you all got the point of the suggestion made by the member from Mexico. He finds that the phrase"to [illegible] shorten the period ." That might be contradictory to something we said above giving the members time to correct maladjustments so that it may well be referred to the drafting committee to find out whether the words are contradictory and if so to find a better expression.

Delegate from:

May I ask how the Fund would shorten the period of its agreement?

Chairman:

Is someone in a position to answer that question?

Dr. Goldenweiser:

I shall attempt to answer it. I think the idea of this section is that it would shorten the period by relieving the country temporarily from the pressure of its exchange while it is undertaking adjustments and therefore make it easier for them to bring about the adjustment and bring them about in a shorter time. The help extended to the members rather than shorten the equilibrium because we seem to be expanding the fund beyond its real scope if the idea is to actually shorten the equilibrium. I thought the Fund's scope was to lend help to the members who are in need of such help, but not in holding adjustment of its equilibrium.

Chairman:

I thank you Dr. Goldenweiser. I understand how by so doing it would help the country while it affects its own equilibrium. While the country itself is adjusting its own position to lessen ---------- , so the Fund itself will not shorten. The fund will lessen the affect of the equilibrium while it is affecting its readjustment.

Dr. Goldenweiser:

Mr. Chairman, may I say that the intention of the language is not to indicate that the Fund in itself will do anything to bring about corrections in maladjustment merely because it will relieve the country of the exchange pressure during the period but in view of the fact that the language is subject to misunderstanding I think it would be best to refer it to the drafting committee which will have heard the comments and will attempt to correct any misleading impression that it may give.

Chairman:

With respect to the first part "in accordance with the above principles" there are two opinions - one that limits

the Fund's possibilities with member countries. The other opinion is that everything the Fund does must be in accordance with the principles. There is nothing the Fund can do without being in accordance with the Fund's principles. The second part,"to shorten the period", the language is not clear. It is subject to misunderstanding. Therefore it seem to me to be proper to leave this matter to our drafting committee. Let them work on this section and bring to us something better, clearer - then we will spend time to consider this. Any objection? I here no objections, so ordered. Now we have to consider certain matters that was added to the original Joint Statement. We have alternative F which is an addition. It is intended to be a new section of this article - alternative F. (reads). Discussion is open on Alternative F.

Delegate from Brazil:

Mr. Chairman this was the suggestion made by the Brazilian delegation. The idea was to indicate the advisability of establishing connection between the actions of the Fund and those of the Bank. It is somewhat connected with the point I had the opportunity to raise this morning in respect of a discussion of an amendment suggested by the Indian delegate. It is not we think the purpose of the Fund to deal with the investments. It seems to me, and as far as we have understood it, the general principle is that the Fund will deal with short-term or even perhaps at the most medium-term credit but long-term credit will be dealt with by the Bank. The two policies, however, should, it seems to us either connected ~~it~~ or in some cases, the equilibrium, the balance of payments of a certain country which might be absorbed by the governing period of the Fund may be due to lack of investment. In this case the fund may get in touch with the bank and call attention to the advisability of directing

investments to that country in order to give them the means of re-establishing the balance of payment. It seems to us that this should be inscribed as one of the purposes of the Fund to establish a connection with the bank purposes. That was the idea of this amendment.

Chairman:

Any further discussion?

Delegate from Poland:

The statement made by the Chairman of the delegation of Brazil - I think that we all understand very well to correct maladjustments in the balance of payments of many countries some other means are necessary as we have found - as they are in their own resources. So we see here that also we should consider the proposal of the Bank of Reconstruction and Development and it should be very advisable to put into the status of the Bank Fund the proposal of the delegate from Brazil which points to the necessity of collaboration of these two international institutions.

Dr. Goldenweiser:

When you read Alternative F it seems on the face of it to be innocent and in general it is clear that the functioning of this Fund would have to be correlated with the functioning of other international machinery but we have no real assurance at this stage that both the Fund and the Bank machinery would be established and it seems somewhat outside the scope of the purposes of the Fund to indicate that it is one of its purposes to cooperate with something else which may or may not exist. There is a proposal which will come up in due time about cooperation between the Fund and other international agencies and it seems to me that it would be very much better to pass this up at this time and consider that section as one of the substantive matters rather than one of the purposes of the Fund.

Chairman:

Any further discussion?

Delegate from Brazil:

Of course the proposal made of establishing correlations between two institutions presupposes the existence of both. If one of them does not materialize of course there is no possibility of establishing relation between two things one of which does not exist. I quite agree that in view of Dr. Goldenweiser's announcing to us that there will be certain proposals in connection with this subject to be further discussed, that the matter should be postponed until such time as the other proposal in connection with it could be taken up by the committee.

Chairman:

The member proposing this alternative agrees to the postponement of this alternative until we consider the proposal of other international agencies so the consideration of Alternative F is postponed.

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Discussion in Committee 4 of Abnormal War Balance

Delegate from India: This proposal found place in earlier drafts of the scheme of international monetary plan and it was a feature to which the upmost importance was attached by certain countries. That feature has now been omitted from the Joint Statement and as far as I am aware there has been no explicit indication of the reasons for omitting it. I have no doubts that those reasons were important. At the same time it is impossible to exaggerate the importance which is attached to this problem by the countries directly affected. Indeed it may be said that it is difficult to conceive how a monetary plan for post war international relations can be drawn up without any attention whatever being paid to this extremely large and urgent problem. We recognize that the problem may have attained such dimensions that it would not be susceptible of complete handling through the medium of an international monetary plan of this kind. At the same time it is difficult to accept a complete exclusion from the scope of the plan of any provision whatever for facilitating the treatment of this problem. It is conceivable that arrangements may be made - arrangements of a bilateral nature which would impinge on the operations of the fund and it may be urged that the Fund should include provisions which would recognize arrangements of that kind and enable some advantage to be taken of the existence of the Fund by the participants in such arrangements. I do not think, Mr. Chairman, that the subject could be completely disposed of in the course of discussion in this committee as it is a matter of great substantive importance to the countries concerned and therefore I merely confine myself to stating the nature of the proposal and the reasons for it.

Delegate from Egypt:

The Egyptian delegation has presented an amendment similar to the one presented by the Indian delegation but it was not presented in good time. It reads as follows:

(Proposal read)

It is similar to the Indian proposal but it is more acceptable because the term "multilateral" would permit the countries concerned to deal in foreign currencies, and it seems to me that it is more acceptable. A similar resolution was adopted by the monetary conference held in Cairo last April and was supported by the Indian delegation.

Chairman:

I am informed that the amendment of the Egyptian delegation is being printed and will be circulated among members of the Committee as soon as printed. Any further discussion to Alternative G?

Dr. Goldenweiser:

Mr. Chairman, I am afraid I am taking too much of the Committee's time but it behooves me to some extent to explain the origin of the various proposal and of the changes. In the first place I should like to say that I agree that the matter is so fundamentally important that it is not likely to be disposed of in the brief session of this Committee today. The delegate from Egypt referred to the fact that in an earlier draft published last year there was some reference about it. I am not at this moment in a position to say why it was included in the draft but I am in a position to say why it was excluded from the following draft. As the study of this subject proceeded it became perfectly clear that a machinery that was charged with the duty of facilitating exchanges based on current rate in the

post war world would have as much a load to carry as any human institution would be expected to carry and if that new experimental machinery which we hope to fashion here were to be loaded with the duty of helping to pay off previously accumulated indebtedness it would certainly have a much less prospect of success and survival. As Sir xxxxx indicated, the amounts involved are so great that they far exceed the entire operation of the Fund. The Fund could only make very small inroads on that problem and might very easily in the process be robbed of its ability to serve those purposes. Pre-war indebtedness and indebtedness during the war present problems which need entirely different treatment of adjustment of arrangement and not a question of current exchanges which arise out of current rate which is the purpose of this Fund. I join with Sir xxxx , the gentleman from India, that with the voicing of two views on it, it would best to have this section remain unacted upon even tentatively because it would be best to consider whether or not it would fit into such plan as will evolve out of the other section of the Fund and particularly out of the work of Committee 2 which it has with operations of the Fund.

Delegate from Norway:

I think that this rather serious stage by Dr. Goldenweiser made a certain impression on us all. There will not be anyone of us who wish to add too heavy a burden to the Fund. But when the idea originally had its origin to give certain references in this draft to all the blocked balances and to war indebtedness it was because those are facts which are found when the Fund begins to work and in certain way there might be important arrangement which at the same

time would be agreeable to the Fund and to the countries involved. Now, I think it might be a way out of this dilemna to refer this question to Commission 3 which has to do with recommendations because that might be a resolution concerning this question taken by the conference without it being necessary to include it in this chapter and there is one reason more for this - when we now formulate the policies and purposes of the Fund we give a fundamental law which may be in effect for hundreds of years while these blocked balances and normal war indebtedness I hope will not be with us too long. I will therefore suggest that this Commission question be referred to Committee 3 for the recommendation that this be considered in a most serious way.

Chairman:

In connection with the suggestion by the member from Norway I would like to call attention to the fact that Committee 1 is a constituent part of Commission 1. The proper procedure would be to report to Commission 1 with the suggestion that this section might be referred to Commission No. 3. Whether Commission 1 will be willing nor not to refer this matter to Commission 3 is up to Commission No. 1. That is a matter of procedure. The main suggestion is that this Alternative G might be referred to Commission No. 3.

Delegate from France:

Mr. Chairman, it is my impression that any suggestion mentioned to facilitate the settlement of abnormal indebtedness, whether arising out of the war or other purposes, is not the purpose of the Fund. The Fund is established for current business and will have sufficient opportunity ~~xx xxxx~~ if it gets stuck with its loans to have abnormal indebtedness to deal with, but it should not start with abnormal indebtedness. Therefore I agree with the suggestion

to be proposed to Commission No. 1 to refer it to another organization.

Delegate from the United Kingdom:

Perhaps I should say one or two words making clear the United Kingdom's position. We agree with the view which was taken by the delegate from India in his very temperate remarks that this is a most important problem. We are anxious to find a solution to this problem but we are not able to agree with you that this is a problem which it would be right to refer to the Fund. We agree with the admirable remarks made by Dr. Goldenweiser that it would be an unfortunate thing if the Fund which is created to facilitate current business were to start on its career waterlogged with the stupendous heritage of the past. We believe that this is a problem which can best be settled by discussions between creditors and debtors and for that reason we should not ourselves be ready to support its reference to any part of this Conference.

Delegate from Brazil?

If we do take into account the present purposes of this Fund and the Fund is largely based upon facilities for payment between countries for goods will it not be inevitable that countries meet the war commitments would have to lean further on the Fund and use the Fund more, so it is inevitably tied up with war debts although I am in accord with Dr. Goldenweiser that we might jeopardize the goods work that could be done in this field by adding another purpose - yet it is inevitable that countries having war indebtedness will have all their transactions with this Fund affected by the extent of their indebtedness and having to meet its needs--and yet I agree that it would be unfair

to the Fund to include the load of war.

Chairman:

Is there any further discussion? In view of the opinions expressed at this point it seems to me to be proper to suggest that this Committee refer this matter to Commission 1 without any suggestion as to its future dealings. Will that be acceptable to you all?

Delegate from Guatemala:

It is my belief that it would be necessary to take the matter of this important question in some of the commissions of the Conference and it seems to that if this Committee only referred it to its own Commission the matter without any comment it probably would not be treated fairly. As very well stated by Dr. Goldenweiser and the other gentleman who has spoken before me the war indebtedness is a problem really connected with the matter we are dealing too but it is entirely agreed it seems to me that inclusion of this matter in the purposes of the Fund will really be a danger for the correct functioning of the Fund. For this reason it seems to be advisable that the Conference will deal with the matter but entirely outside of the Fund and perhaps in this connection it would be advisable that the Committee refer to the Commission as Mr. Chairman suggested, but suggesting at the time that this question be turned to Commission No. 3 which is supposed to take into consideration all the other financial measures which would be necessary for the post war arrangements.

Delegate from the United States:

I move that the Committee adjourn.

The Chairman:

A motion is made that we adjourn, but before we adjourn

I want to announce - this morning you remember it was moved and passed that we have a drafting committee. I apoint - I ask the following delegations to furnish members for the drafting committee - Australia, Brazil, Czechoslovakia, United Kingdom and the United States of America. The reporting member and the secretary have the right to appear with other members of the Committee. Any delegation whose proposal is referred to the drafting committee may send somebody to appear before the Committee to explain its proposal. This Committee will meet tonight at 9 o'clock in Room A and the member from the United States will be the chairman of the Committee. I wish also to call attention to this fact, that we have almost finished article 1 and the six sections but will you please notice Alternative A - there is a slight modification in language. The purposes of the International Monetary Fund are,(etc. as read). "The Fund shall be guided in all its decisions by the purposes set forth above." Now if the committee has no objection I will ask the drafting committee to consider this sentence.

Delegate from India:

I understand the drafting committee is considering Alternative C on page 1b. Is India delegation to send one representative?

The Chairman:

I have already discussed this--yes.

Adjourned.