

July 8, 1944

Mr. Ganson Purcell, Chairman
Securities & Exchange Commission
18th & Locust Streets
Philadelphia 3, Pa.

Dear Ganson:

The drafting group of which I was in charge completed its assignment yesterday and submitted to the agenda committee of Commission II a complete redraft of an Agreement to Establish a Bank for Reconstruction and Development of which I am enclosing herewith a copy. The comments of the agenda committee under the chairmanship of Lord Keynes were solicited prior to the circulation of the document to the other delegations. As very few comments were received the draft was so circulated last evening and as you will note the delegates were requested to submit suggestions before the close of today. I expect that at the meeting of the agenda committee tomorrow Lord Keynes will set up the committees to consider and discuss respective parts of the proposal. Professor Robbins of the U.K. delegation took me aside last night to tell me how pleased Lord Keynes was with the document in substance and in form.

I have, of course, reported to Harry White the progress of the Bank project and I believe he now feels that the Fund is making sufficient progress so as to bring the Bank into the open forum of discussion without further delay. In view of the substantial agreement between our and the U.K. delegation I should be surprised if there were many matters of dispute in the discussions on the Bank. I believe that the concensus at the conference outside of our own delegation is that it is the more important project of the two.

I am also enclosing an address which Lord Keynes made as Chairman of Commission II, relative to the Bank proposal. As you will note in the draft proposal on the Bank, the section relative to equity investments has been omitted. This was done at the last minute at the behest of Luxford of the Treasury Department who felt that if the proposal were in this draft it would be difficult to recede from it in view of its expected popularity. He also felt that the U.S. delegation was not united in its support of this provision. I have, therefore, prepared for our delegates a brief memorandum setting forth some of the arguments in favor of the encouragement of international equity investments suggesting that a new provision be added to the proposal. A copy of this memorandum is also enclosed. I have spoken to most of the advisers who will work on the Bank such as Hanson, Lubin and Ezekial and am assured of their support on this proposal. I also had a

long luncheon conversation with Judge Vinson today on this subject and he expressed a cautious attitude but a definitely approving one of this proposal. He suggested that equity participations might be specifically limited to a certain small percentage of the Bank's total obligations and I agree that this would be a desirable added condition.

The Treasury position as illustrated by White is that they will not press for the suggestion although they consider it an attractive feature of the proposal but that they will support it if the U.S. delegates are convinced of its desirability. While admitting the soundness of the suggestion they appear to be somewhat apprehensive of its political interpretation. It will, therefore, rest with the representatives of the Congress on our delegation to make the decision. There are a few other points at issue which I shall cover in subsequent memorandums and forward a copy to you when they are reached.

At the meeting of Committee II, on the Fund yesterday a matter was discussed which I thought might be of interest to the Commission. Article V of the joint statement on the Fund relates to capital transactions and prohibits the use of the resources of the Fund to meet a large of sustained out-flow of capital. The question was raised as to how far member countries would be in a position to ascertain the volume of capital exports and to regulate them if desired. It was proposed, in the Committee, that the section be redrafted so as to imply that member countries had some obligation to obtain information as a basis for regulation of capital exports and imports. I mention this as of interest to the Commission as it would seem to me that we are the right agency to assume this responsibility and that we have already set up procedures in this direction. The current reports on foreign transactions of corporations which we have recently initiated as well as the registration data under the Securities Act and particularly under the proposed extensions thereof would seem to constitute a very substantial contribution in this respect.

After the meeting I advised those of our delegates and advisers who were present of the information which we have available and in prospect. This would, it seems to me, give added reason for proceeding with our general program with the State Department and to work for extension of our registration by legislative amendment.

Sincerely,

Walter C. Louchheim, Jr.
Assistant Director

Enclosures