

UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

July 4, 1944

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

Dear Ganson:

The last two days at Atlantic City were devoted primarily to a discussion of a draft presented by the delegates of the U.K. on a proposal for an international bank. It was the general feeling, I believe, among the U.S. group that this draft had considerable merits. It provides for a division of the authorized capital of the Bank, 20% to be subscribed upon acceptance of membership and the balance reserved against obligations which the Bank might guarantee. Only the first part of the capital would be available for direct lending and investment in member countries subject to the conditions with respect to the provision of currencies as needed for specific projects. Loans made from this part of the capital, therefore, would have the "tied" condition which our group has always felt to be politically advantageous but to which the U.K. group has always objected. This solution, therefore, seems to be a happy one.

As for the balance of loans and investments made with the Bank's assistance, it is proposed that no restrictive features as to free use of currencies be included. This part of the capital would, therefore, be available to guarantee or participate in investments and loans made in the capital markets and to act as a reserve against direct obligations which the Bank could issue. As you see, the major activity of the Bank is thus construed to be of the latter sort. I believe that I mentioned to you that this appeared to me to be the direction which the proposal would eventually take.

In further elaboration of the U.K. proposal I am enclosing herewith a copy of an analysis and comments which I presented to our group. I am also enclosing a copy of a general statement on the Uses and Functions of an International Investment Bank which I prepared at Harry White's request for use by the press and for popular presentation.

We have not made much headway on the Bank since our arrival here. Most of the time has been spent at organizing the offices and living accommodations and on setting up the commissions and committees to consider the various proposals. There have been two plenary sessions of the conference entirely devoted to these matters and to formal addresses by a number of the delegates. Although I have not participated directly since being here in the drafting of the documents relative to the Stabilization Fund I understand that considerable headway has been made at reconciling the differences between our views and those of the U.K. The committees on the Fund are commencing their meetings

today. There are four such committees which in turn report to the commission on the Fund.

The committees on the Bank have also been set up but will not commence meetings for several days. Each adviser has been assigned to a committee for which he has responsibility of instructing the delegate of the U.S. and of trying to keep the discussion along the lines preferred by our delegation. I have been assigned to the committee on the Operations of the Bank and I am enclosing herewith a copy of the agenda from which you will learn the subjects which devolve upon this committee. I think they are the most interesting of the subjects to be considered with respect to the Bank. I expect also to take active part in the organization and discussions under Commission 3 – Other Measures for International Financial Cooperation but very little headway has been made to date on this subject and no committees have been set up pending preparation of an agenda.

In addition to the duty of attending all meetings of the committee to which I have been assigned the advisers have been asked to take every opportunity to discuss the proposals with the members of the American delegation and with representatives of foreign delegations. We are also free to attend any other committee meetings and I shall continue to interest myself in the discussions on the operations of the Fund at least until the Bank committees start to meet.

I have had several conversations with Judge Vinson, Dean Acheson and Senator Wagner, as well as with Alvin Hansen who is also an adviser. I find that those with whom I have talked as well as foreign delegates are in hearty sympathy with the Bank proposal as presently visualized and would like to see more emphasis placed upon it. The Treasury, however, continues to feel that it would be better to obtain acceptance to the Fund, particularly in view of the facility which is anticipated as to reaching agreement on the Bank. Whether this strategy will prevail remains to be seen. I surmise at this time that there will be pressure to have the Bank put at least on a parity with the Fund.

Perhaps you noticed the editorial in the Washington Post of July 1st, which takes this line. Elliston sent it to me and I received it yesterday. It is apparently the result of a conversation which I had with him the day before my departure. It was read with relish by several of our delegates and commended. It was one of the very rare commendatory articles on the conference and its objectives.

In the course of conversations, there have been several remarks about the work of the Commission. One critical comment related to the expense of registration to small issuers. This was from Alvin Hansen and after some discussion I think that I persuaded him from this view. Another criticism was made by the delegate of Mexico, Mr. Monteros, in informal conversation. He expressed the view that the Commission should favor by more lenient treatment the offering and sale of securities of foreign issue in the United States. I, of course, defended the view that American investors were entitled to as much information with respect to such issues as to those of domestic origin. While he did not disagree he was making a plea for facilitating the listing of securities of Mexican

enterprises on the New York Stock Exchange without the necessary formalities. With the exception of this comment he was favorably disposed to the Commission's work but I found among the foreign delegates with whom I have discussed the matter a complete and hearty endorsement of our objectives and of the manner in which the statutes are being administered. I can truly report that the Securities and Exchange Commission is in very good standing throughout the world and enjoys a very favorable reputation. It has been described to me by European delegates as certainly the most successful of the new deal agencies. A number of them called my attention to Dewey's commendation of the legislation.

I have spoken to John Crider from time to time as you may have noticed from his articles on Sunday and Monday and he would like to write something on the work of the Commission in relation to post-war foreign investment. I think he could handle this in connection with his articles on the conference and it would work in very nicely.

I shall send you a further report as the discussion develops.

Sincerely,

Walter C. Louchheim, Jr.  
Assistant Director

Enclosures (11)

July 5, 1944

P.S.

White just asked me to take charge of the U.S. group on drafting the agenda for Commission II, the United Nations Bank. We go to work in the morning with Keynes as Chairman of the Agenda Committee.