

Henry C. Wallich
November 18, 1975

Summary of BIS meeting: November 9-10, 1975

At the meeting of "technicians" on gold transactions, the means of implementing the Washington agreement on gold were discussed. A working paper by Zijlstra suggested three main points for discussion: how to define and prevent price pegging, how to fix and protect the ceiling on the gold stock, and how to regulate buying by central banks under the ceiling.

On all three issues as well as on others that came up, the predominant tendency of the group was to try to soften up the detailed terms. The U.S. representatives opposed this on every point and received some support from the Canadian as well as the IMF representative. Particularly troublesome was a proposal to make the official gold stock flexible upwards by allowing it to exceed the ceiling "temporarily," with reliance mainly on anticipated sales by the IMF for subsequent correction. There was also a reluctance to report on gold transactions and holdings as frequently as seemed technically possible.

The technicians did not complete their agenda and were subsequently requested by President Zijlstra to reconvene in December to deal also with some issues not definitively treated in the governors' meeting.

-2-

In the governors' meeting, Zijlstra eliminated from discussion the controversial question of the effective starting date of inter-central bank transactions -- whether after the Jamaica meeting of the Interim Committee in January, or only after amendment of the IMF Articles perhaps 18 months thereafter. Mr. Szasz, chairman of the technicians' group, presented his report of the technicians meeting. Mr. Dale (IMF) reported on a discussion of the IMF board in which the U.S. executive director had argued that central bank gold purchases should be allowed only after amendment and somewhat surprisingly had received some support from spokesmen of LDC's.

The discussion of the governors focused principally on the question of admission to the group of countries participating in the gold agreement. It was noted that, while adherence to the agreement was open to all IMF members, monthly discussion of gold problems in Basle with a greatly enlarged group would fundamentally change the nature of the Basle discussions and should be avoided.

At a separate meeting of the governors, the Blunden Committee report on cooperation among supervisory authorities was discussed. In line with guidance received from the Board of Governors, I pointed to the ambiguities inherent in the report and noted that as regards the division of supervisory responsibilities among host country and parent country authorities, the U.S. would like to see its freedom of action protected. Mr. Blunden agreed that the division of responsibility in his report allowed for action by both host and parent authorities. I also urged the Blunden group, without aiming for coordination of

-3-

supervisory procedures, to work toward improvement in procedures in each country. It was noted in the discussion that several countries have problems of confidentiality in passing along information to foreign supervisory authorities, but that progress in relaxing these restraints, including through legislative action, is being made in several countries.

At the dinner meeting, New York City was the topic of general discussion. After a fairly detailed exposition by the U.S. representatives, some members of the group said that they were unconvinced of the wisdom of U.S. Government policies as they then stood, while others said that they had found our presentation convincing.