

TREASURY MEETING - September 15, 1943

U. K. - Keynes, Opie, Robbins, Robertson, Thompson-McCausland,  
Eoster  
U. S. - White, Bernstein, Luxford, Richardson, Berle, Pasvolsky,  
Livesey, Clayton, Coe, Goldenweiser, Gardner.

Keynes starts off on the question of exchange flexibility. The British Government wants more flexibility than is provided in either plan. It does not again want to find itself in the position of the 1920's when the financiers appealed to the necessities of the gold standard against the domestic economic policy of the Government. At the same time they are wholly sympathetic to maintaining exchange stability under most conditions. How meet the dilemma? Keynes wonders if some objective test could be devised. He appreciates the extraordinary difficulty of this. One test would be movements of the wage level. The British have a suggestion - writing which they would be glad to submit if the idea seems promising.

White says that we should be delighted to have the written suggestion, but he questions the wage-test from several standpoints. A rise of wages may not increase export costs. Furthermore any statistical measurement of it would be open to dispute.

Keynes states that the British are also concerned about the dangers of previous and general discussion of a proposed shift of an exchange rate - it may start violent speculation. He summarizes the British proposal as follows:

- 1) make the 10 per cent unilateral change now permitted by the American plan in the first 3 years permanent;
- 2) permit a country to change its exchange rate by another 10 per cent without consulting the Fund but subject to later Fund approval - if approval is not given, the country must eliminate the change or leave the Fund;
- 3) specify more concretely the standpoint from which the Fund must approach a proposed change in exchange rates - make the tests reasonably clear.

Bernstein suggests in place of 2) above a provision by which countries could get a tentative decision quickly from the Fund, but not act without consulting the Fund.

Keynes passed around the text of the British suggestions and an inconclusive discussion followed.

Next meeting - Friday at 3 p.m.