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Questions on Lord Keynes' Proposals For an International Clearing Union

1. Is it assumed that exchange rates between members of the Union would fluctuate within gold points or their equivalent and that foreign exchange obtained through bancor facilities would be sold only at such gold points?

2. If transfer is to be at a fixed rate may not two rates of exchange develop between member countries unless the governments are prepared to take active steps through a stabilization fund or other agency to control the rates?

3. Is it contemplated that transfers of bancor could take place other than by direct transfer between central banks or treasuries? (a) Specifically, will the new "instrument of international currency" be utilized by means of negotiable drafts in bancor on the Clearing Union or by entries on the books of the Union? (b) If the first, by whom would it be sold and bought in individual countries? Specifically, would transactions in bancor be a monopoly of the central bank and/or the Treasury, or would it be generally negotiable like an ordinary bill of exchange? (c) Would the bancor be an instrument of payment between member and non-member countries? If so, how would this operate?

4. In what currency and under what exchange rate regulations would non-members keep "credit clearing accounts" with the Union and what would be the advantage to them to do so, since they cannot borrow from the Union?

5. How under the plan could the quantum of international currency be contracted to reduce "effective world demand", mentioned in paragraph 1(c) of the Proposals?

6. What provision is there for preventing the use of bancor quotas to meet foreign obligations where there is no adverse balance of payments on current account? What could prevent countries with weak currencies from quickly exhausting their quotas should they wish to acquire strong currencies?

7. What is the contemplated order of magnitude of total bancor quotas? Are we correct in understanding that within such amounts a country could do nothing to limit the call of the Clearing Union for its currency? What is the maximum amount of U.S. dollars which the United States might be obligated to provide in return for bancors during the first five years of operation?

8. What disposable assets would the Union hold to assure liquidation of bancor credits in the event of dissolution of the Union

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or in the event of war? In the event that any country wishes to withdraw, what specific steps could it take to liquidate without loss the bancor that it might have accumulated?

9. Does the proposal envisage that the British Commonwealth as a whole is to have one representative on the Board and one quota, or would each of the dominions also have a separate representative and a separate quota? If the Commonwealth is to be treated as a unit, is it thought that intra-commonwealth trade is to be treated as foreign trade for the purpose of determining the quota?

10. Is it not likely that those countries likely to develop large creditor accounts with the Clearing Union will be in a minority so far as voting strength and control over policies are concerned?

11. Does the drawing of a distinction between a few founder states and other members run counter to the general objective of securing international collaboration?

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