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KEYNES VS. KEYNES

As late as the first of the year, it was generally believed by informed observers that the Bretton Woods international banking proposals had not the slightest chance of being approved in congress. Leading financial experts, such as Benjamin Anderson of the University of California, with a quarter of a century experience in international finance, Melchior Palyi of Chicago, a high authority on European monetary affairs, John Williams, the expert of the Federal Reserve Bank of New York, and Winthrop Aldrich, head of the biggest bank in the country, had examined the proposals and found them to be unworkable or contrary to the best interests of the country, or both. The American Bankers association had denounced the plans in a report approved at its annual convention. The schemes conceived by John Maynard Keynes, a British exponent of inflation, and promoted here by followers of Keynes, seemed to have no support of consequence inside or outside the government.

In January there began a series of remarkable developments. First, the American Bankers association, acting thru committees between conventions turned a complete somersault. The A. B. A. issued a statement which indorsed the institution provided for making loans for reconstruction and development. That was half of Bretton Woods. As to the other half, it urged that the proposed institution for stabilizing currency be abandoned, but not its functions. These were to be turned over to the reconstruction and development bank. Thus the only material difference between the Keynesians and the A. B. A. was that one wanted two institutions and the other wanted only one.

When the advocates of Bretton Woods discovered that the A. B. A. was now on their side, they quickly adopted the banker group as their official opposition. As former antagonists, the bankers could do more good than if they had embraced the Keynes schemes from the first. Those who might make a real fight in opposition would be lulled into inactivity in the belief that the bankers were doing the fighting. As a result a victory would be won by default.

Any one knows anything is aware that pro and con are not the same and that the real critics of a measure don't agree in advance to vote for the measure. W. Randolph Burgess, an eastern banker and president of the A. B. A. appearing as the association's chief witness before the house banking and currency committee, was asked how he would vote on the Bretton Woods plans if he had the choice between approving them without change or rejecting them in their entirety. He said that he would vote "aye."

What has been going on before the house committee is a sham battle. Last week it appeared that was all the opposition Chairman Spence would permit the committee to hear. He had already called back Dr. Harry White as a rebuttal witness. Anderson, Palyi, Williams, and Aldrich, who had made the principal criticisms of the plans, are not to be called at all.

As there wasn't any difference between the proponents of the Keynes schemes and their pet opponents, talk of a compromise between the two makes no sense. Nevertheless, the committee on economic development recently submitted a plan, described as a compromise, which called for two institutions, as Mr. Morgenthau desires, instead of one as approved by the A. B. A., but would give the institution the bankers like some of the functions the Keynes followers wanted assigned to the other one. This proposal received high praise last week in a speech by Daniel Bell, the undersecretary of the treasury. Banker witnesses, too, had some good things to say about the CED recommendation. Assistant Secretary of State Will Clayton was one of the group responsible for the CED "compromise." It was issued a few days after Clayton had testified for Bretton Woods as drafted.

If the president of the American Bankers association is content to be the fall guy for Keynes and his followers, that is his privilege. That does not relieve congress of the duty of ascertaining what pitfalls there are in Bretton Woods before committing this country. The committee on banking is not ready to make its recommendations because it has heard only one side. The subject needs to be opened up completely and thoroly. If Representative Spence prevents his committee from doing the job, it will have to be done elsewhere.