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"What we need is…" Who was afraid of John Maynard Keynes?

I

As we know all, the last battle fought by Keynes was a lost battle.[1] It was the battle to create not only a post-Second World War world that would not reproduce the dramatic errors of 1918 and their consequences (Nazism, crises and the Great Depression) but also a stable international monetary system capable of providing economic agents with sufficient international liquidities. The Bretton Woods System (BWS) only partially fulfilled this purpose. During the Cold War, the liquidities the world needed were not supplied by the BWS, they were supplied by the Marshall Plan, under the pressure of the Soviet threat.

Who exactly was the winner of this last battle? Why were Keynes's ideas rejected? Even the best commentators (Moggridge, 1992; Dostaler, 2005) do not give us the answer to this question. As I will show, these ideas were not difficult; they were "intrinsically easy". So, it was not through ignorance that the enemies of Keynes rejected the Keynes Plan. Keynes's enemies were certain interests that were very well defended by good advocates. So what were the interests jeopardized by the Keynes Plan, and why did they win? To answer this question, I will study the differences between the Keynes Plan and the White Plan (drafted by Harry Dexter White, the assistant to Morgenthau, the Secretary of the US Treasury Department).

It is generally accepted (Skidelsky, 2000; Boughton, 2002) that Keynes "spent much of his energies during the war 'fighting for Britain' not against the Axis but against the ascending economic power of the United States". Correlatively, The White Plan is perceived as defending US interests. If this is right, the conclusion is inevitable: the balance of power entailed the defeat of Britain (and of Keynes). We know that this interpretation is partial, and D. Moggridge (1992) showed that the BWS was not the result of an ineluctable victory of US interests. It was the result of a conflict (and a final compromise) between three parties (and not two): Keynes, White and a third adversary, the anonymous "Laissez-faire" party.

The question is not whether Keynes and White were patriots or not.[2] The issue is to understand why Keynes, faced with the position of the banks and the business community, who were also adversaries of the New Deal, was finally obliged to accept the White Plan as the lesser evil. I wish to explain a point that is not treated by Moggridge and Dostaler. Why did the banks and the business community feel threatened by the Keynes Plan?

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[1] Dostaler G. (2005).

[2] I am certain that Keynes and White believed that the interests of each nation are the same as the interests of all the nations of the world. They certainly believed that the international economic game is not a zero sum game. They were not mercantilist. I will not discuss this point, nor the venomous issue of White's relation with communism.

In part II, I will show how the Keynes Plan and the White Plan were the result of the very difficult political position of these two economists just after the beginning of the war. In Europe, immediately after the defeat of the Allies in France, the Nazis had published a plan (the Funk plan) for the creation of a New Order for Europe, in principle radically different to the unjust order imposed by the Allies in the Treaty of Versailles and criticized by Keynes. The British Government asked to Keynes to write a counter-proposal, and the Keynes Plan was the result of this work. In the USA, Roosevelt's adversaries used quite similar rhetoric ("Keynesian") against any intervention by America in the European conflict. The study of White's counter-argument shows his originality and also his archaism. Like Keynes, White did not believe in a spontaneous mechanism of equilibrium in international monetary relations. He held that the latter are necessarily disequilibrium relations. According to White, gold was the international money because it was the only universally accepted means of debt payment.

In part III, I will show the important difference between the Keynes Plan and the White Plan. Their secondary concerns may have been similar, but their primary concerns were completely different.

The primary concern of the Keynes Plan was the lack of international liquidity, responsible for the asymmetry between indebted countries and lender countries. The latter can cause economic depression in the former, which cannot repay their debts because they have no access to an international means of settlement. The secondary concern was the lack of coordination between monetary policies, blamed for causing the primary concern. An International Clearing Union (ICU) and a supranational currency (the "bancor") were the tools proposed to suppress this important cause of depression.

The primary concern of the White Plan was the lack of capital necessary to rebuild Europe and to invest in underdeveloped countries. The secondary concern was the lack of coordination between monetary policies. These two concerns were not well linked. Nonetheless, the International Bank for Reconstruction and Development (the World Bank) and the International Monetary Fund seemed appropriate tools to undertake this task.

In part IV, I will conclude by explaining why the final BWS was very far-removed from the Keynes Plan. The Keynes Plan called for the building of an international banking system around the ICU. This latter had a remarkable and singular feature that has rarely been acknowledged, as far as I know. The ICU would have drastically simplified foreign exchange markets and forbidden speculation on these markets. In so doing, it would have suppressed one of the oldest sources of banking profits. This explains why the banks were hostile to the Keynes Plan. However, the White Plan and the BWS left room for active monetary policies. Finally, contrary to White's expectations, the World Bank never played a very important role in the reconstruction of Europe, and ironically, the Marshall Plan proved that Keynes was right and White was wrong. Here we can give a probable answer to the question "Who's afraid of J.M. Keynes?" Quite simply, it was the banks.

II

The BWS itself is not easy to understand (today). On the one hand, it was "the nearest thing to a consciously designed international monetary system that the world has yet experienced" (Williamson, 1977, 1). On the other hand, its lack of consistency was striking. For example, it supposed a pegged and adjustable exchange rate system. As Eichengreen (1996, 94) wrote: "the adjustable peg proved to be an oxymoron". Each currency was defined in relation to the dollar; only the dollar was convertible to gold and only by central banks. Central banks could only change the rate of exchange with the dollar when a "fundamental disequilibrium" was offset by the IMF. However, nobody knows what the difference is between a "fundamental" and a "non-fundamental" disequilibrium.

In the same way, the "scarce currency clause" (Article VIII, 3) provided for possible sanctions against countries running a chronic surplus. This clause authorized the IMF to ration their currency, and members of the Fund could discriminate against the exports of such countries. This clause, of course, was never applied.

This lack of consistency is not surprising, because the BWS was a compromise between (essentially) the British and US governments. This compromise was complicated because it involved both practical and theoretical issues.

From a practical point of view, the US government was evidently in the position of creditor and the British government in the position of debtor. The compromise would allow the British to pay their debt without reproducing the errors of 1918. When the First World War ended, towards the end of 1918, the American Congress and American banks asked for repayment of the French and British debts. Evidently, the French and British governments could not pay. According to them, the only solution would be through payment of the reparations that Germany would certainly have to pay. The repercussions of this opposition were considerable: as we well know, German hyperinflation and Hitler's rise to power, as well as the 1929 crash and the Great Depression were the consequences of the errors of 1918 (see Kindleberger 1978), even if these errors were obviously not the only causes of the dramatics events that led to the Second World War.

From a theoretical point of view, the BWS was the result of a compromise between three positions.

1. Keynes's conception of international monetary relations. I will summarize his heterodoxy by his rejection of the theory of purchasing power parity and his defense of the theory of interest rate parity. An equilibrium on the global foreign exchange markets was therefore inconceivable.
2. Harry White's conception. This is not completely known. However, the White Plan (Horsefeld [1969]) and an interesting unpublished document [3] (White, 1939-1940) allow us to call his ideas semi-heterodox. Like Keynes, White did not trust free competition to converge toward equilibrium on foreign exchange markets. He thought that monetary policy should be the responsibility of the State, not the banking system. However, he believed that gold was the international money.
3. Finally, the doctrine of "laissez faire", whose advocates were quasi-anonymous and very powerful. The business community only accepted infractions to the principle of "laissez faire" in time of war, and strictly during those exceptional circumstances.

It is very easy to forget these theoretical and doctrinal dimensions if we suppose, like Boughton (2002), that Keynes was fighting for a *bilateral* approach preserving the interests of Britain – the imperial preference system, defended by the Conservative Party - and that White was fighting for a

[3] I am grateful to Pierre Hernan Rojas who kindly communicated this text to me.

multilateral approach, in the spirit of the Atlantic Charter and the United Nations and in line with US policy which opposed any colonial empire.

To avoid neglecting these theoretical and doctrinal dimensions, we must follow Moggridge (1992), who shows that, if Keynesian ideas about international monetary relations are old (at least since *A Tract on Monetary Reform* and *The Treatise of Money*), the ideas that were to become the Keynes Plan found their origin in the publication of the Funk Plan (Funk, 1940), in July 1940. Here, the Reichsbank president and minister of economics of the Nazi government described the "New Order" imposed on defeated European countries. If local currencies subsisted, they could not be exchanged with each other. Any operation requiring foreign exchange must transit via the reichsmark. The Reichsbank would act as a clearing house. On these monetary bases, the New Order would create a new international division of labor, called "collaboration". The French regime of Vichy, agrarian and reactionary, accepted with alacrity this project of a rural France exchanging its agricultural produce for German industrial commodities. Of course the latter were not available; they were being accumulated in preparation for the attack on the Soviet Union.

When the British authorities became aware of this plan, Sir Harold Nicolson, of the Ministry of Information (married to Vita Sackville-West, the writer and friend of Virginia Woolf) asked Keynes to launch a campaign to counter Funk's proposals, in 1940 November. Keynes's answer was scathing:

"The dossier which you sent along with your letter seems to suggest we should do well to pose as champions of the pre-war economic *status quo* and outbid Funk by offering good old 1920-21 or 1930-33, i.e. gold standard or international exchange *laissez-faire* aggravated by heavy tariffs, unemployment, etc. etc. Is this particularly attractive propaganda? "If you think it is, I am certainly not the man to put it across. […] In my opinion about three-quarters of the passages quoted from the German broadcasts would be quite excellent if the name of Great Britain were substituted for Germany" (Keynes, *Collected Writings* [1980], 1-2).

Soon afterwards, Keynes responded to a similar request from Lord Halifax, the Secretary of State for Foreign Affairs and future Ambassador to the US. His answer was very clear. It was necessary to avoid the errors of 1919. Firstly, avoid the starvation of Germany, and secondly, find a solution to the problem of international liquidities. This second issue could only be resolved in concertation with the US. Evidently this bilateralism was the only one possible *because only two monetary zones* existed at this date. The *Union Latine* had disappeared in 1927, and the *Zone franc* in 1940. Other currencies were pegged to either the sterling zone or the dollar zone. The so-called bilateralism of Keynes was a consequence of the simple fact that international monetary relations are relations between monetary zones and of the dramatic events of the time. There is no need to invoke an attempt to preserve a privileged position for the pound relative to the dollar.

In a first draft, Keynes criticized "the currency scheme of Dr. Funk. The Funk mark pretends to offer a stable currency for post-war purposes. How can this be so if it has no command of resources outside Europe? It has only one merit, namely that it avoids some of the abuses of the old *laissez-faire* international currency arrangements, whereby a country could be bankrupted, not because it lacked exportable goods, but merely because it lacked gold" (Keynes [1980], 12). Then Keynes explained what Germany's New Economic Order was: "a plan by which high-grade industry is to be mainly concentrated within Germany herself, the satellite and the tributary states being compelled to confine themselves to the kinds of production which suit the convenience of Germany and chiefly to agriculture, and by which the terms of exchange between Germany's high grade products and the output of the other states will be fixed so as to maintain a standard of life in Germany much above that of her neighbours". If the English version of the Funk Plan published on a website (Dr. Rath Health Foundation, which gives data about the links between I.G. Farben and the Nazis) is correct, the Funk Plan was perfectly unambiguous: "The price level will have to be adjusted to that of Germany. But a currency union will bring about a gradual leveling of living standards which even in the future *will not* and *should not* be the same for all the countries linked with the European clearing system" (our italics).

Keynes must have been very optimistic to expect, at the end of 1940, this association between Britain and the USA to lead to the building of a radically new monetary world. The power of the isolationist movement was great. It led Harry White, the Assistant to Morgenthau, to write an argument at the end of 1939 in favor of American assistance to France and Britain.

His text "Preliminary Draft. The Future of Gold" is conserved at Princeton University, in the *White Archives*. In it, White replies to adversaries who are not quoted. They were adversaries of the sale of commodities to the Allies, who argued that these sales only generated gold entries into the USA. France had gold reserves and the British Empire (South Africa) was the world's biggest producer of gold. So 1) those gold entries would continue during the war and 2) this gold had no purchasing power; for if it had any purchasing power, evidently it would not accumulate in the USA. These arguments are sound, yet they are misleading. If the USA helped the Allies against the Nazis, this help was not part of a normal commercial exchange, and the USA was virtually in a state of war against Germany. Of course White's adversaries denounced this situation. White's reply was not easy. He argued vaguely that the situation was temporary and that the American trade surplus would necessarily be cancelled. Anyway, the influx of gold was a good thing: "continued inflows of gold yield on balance substantial benefits to the people of United States. […] Not because we need it; we already have enough to support a sound monetary system, but because it adds to our national wealth in terms of both current goods and services" (White, 1939-1940, I, 11).

More interestingly, White answered the second argument used against Roosevelt's policy on help to the Allies. This second argument was that, in any case, gold had no monetary value. Gold became nothing more than a metal when bank money replaced species. Naturally, White accepted the idea that gold has no internal value: "its usefulness does not depend upon those domestic uses; gold really derives its importance as a monetary metal not from its use within a country but because of its utility as a medium of international exchange. Even much importance as it may be thought within a country derives largely from its utility as an international medium of exchange. In the performance of that function, gold is yet without peer".

If exchanges were always balanced, gold would be unnecessary:

"For example, if the payments due to residents of the United States were equal to the funds due by other residents of the United States to foreigners abroad, it would be possible to liquidate all transactions without the shipment of any currency or gold into or out of the United States. The account would be settled merely by drafts (or checks, or bill of exchange) transferring dollars from Americans to other Americans, and other drafts transferring sterling and other currencies from foreigner to other foreigners. Thus completely offsetting transactions are possible, however, only when there is an equivalence of sums owing and owed" (White, 1939-1940, II, 9-10).

However, international exchanges are never at equilibrium and international money is therefore necessary *as a count unit of assets and liabilities*. This argument is not very different to that of Hawtrey (1919), and up to this point, Keynes would certainly agree. However, he would reject the immediate conclusion that: “Gold is the only medium that every country will willingly take”.

According to White, “there are only four possible ways in which a country can keep its international accounts in balance *without resort to foreign borrowing*”. They are:

1) “By adopting strict foreign exchange and/or import controls […]
2) By permitting fluctuation in exchange rates to take place freely […]
3) A third method is to conduct international trade exclusively on a barter basis […]
4) A fourth method is to permit trade to operate without any restrictions […] and depends entirely upon gold, as a means of settling any difference in the balance of payments […]

Most countries adopted a combination of the procedures to keep their international account in balance. […] But no matter what method or methods are used, all countries supplement those measures *by the use of some gold*” (White, A1939-1940, II, 15,16, 17, italics added).

White’s thesis is therefore that convertible money is a necessary tool for the equilibrium of balance of payments, an equilibrium for which all governments have a duty to strive.[4] This neo-mercantilist position is not so far-removed from Thomas Mun’s famous formula: “England’s Treasure by Forraign Trade”.

Now, could a national money or a basket of national moneys “as good as gold” (and not convertible) replace gold?

Of course White raised this question. And his answer was negative. If some countries (Sweden, Switzerland and Argentina) keep some their reserves of international means of payment in the form of a dollars balance or even US Government securities, it is because they are convertible into gold and because the United States has large reserves of gold to ensure this convertibility.

However, White added: “There may possibly come a time when gold will no longer retain its superiority over other devises, but it can only be when national monetary systems and national monetary policies cease to exist and are replaced by an inter-governmental authority which will decide the monetary, credit and trade policy that each nation is to pursue. A sort of monetary League of Nations which would control world economy policy. If and when that time arrives, gold possibly will no longer be needed to settle international balances” (White, 1939-1940, III, 11).

White was evidently very skeptical. A “monetary League of Nations” seems a pure dream. It supposes that countries abandon an important part of national sovereignty: “There is nothing in past history and certainly nothing in current events which gives assurance that a group of major countries will agree to resign their sovereignty on so fundamental matter as the value or their currency in terms of other currencies” (ibid., 13).

[4] Note that White scarcely mentioned the international movement of capital, which is relegated, for example, to a footnote (White, 1939-1940, II, 13): “This is, of course, quite apart from the real possibility that a country may have an inflow of capital lasting over decades when justified by the long term investment situation”.

White was consistent. Gold lost its internal monetary function because of the co-existence of a national banking system and a national monetary policy. It will lose its international monetary function if and only if those two conditions are met at the international level. And White knew that this was a long way off. We will see that the White Plan was drafted with these constraints in mind.

III

As we know, the year 1941 saw three major events that turned the European war into the Second World War, made the Allies' victory highly probable and required the preparation of new policies and new institutions to avoid the errors made at the end of the First World War. Those three events were the German attack on the Soviet Union, the Atlantic Charter and the Japanese attack on Pearl Harbor.

The Soviet Union's entry into the war radically changed the situation. If the Nazis won, Britain would be unable to continue the fight against an enemy with complete domination over Europe; if the Soviet Union won, Britain alone would be unable to stop the Red Army in Europe. Evidently, the Churchill and Roosevelt governments had to escape from this dilemma by all possible means. The Atlantic Charter – never presented to Congress – laid out the principles underlying the policies of the United Nations led by the USA and Britain. One of those principles, of course, was not to inflict starvation on Germany.[5]

Finally, the entry of the USA into the war completely changed the perspectives. Nobody knew how long the war would last, but everybody knew that victory could not escape the Allies.

It was in the context of the Atlantic Charter that Keynes built what was to become the Keynes Plan. This first draft is particularly interesting because it shows in a pure form the conditions of a full employment policy in an open economy. As a matter of fact, the Keynes plan concerned not only the postwar period, but also the normal regime of international monetary relations.

On 8 September 1941, Keynes wrote two memoranda. The first was entitled "Post-War Currency Policy" and began by setting out what seemed the most important issue: "the secular international problem", in other words "the problem of maintaining equilibrium in the balance of payments between countries. […] The failure to solve this problem has been a major cause of impoverishment and social discontent and even of wars and revolutions" (Keynes [1980], 21).

Keynes asserted that the only way to solve this problem was that used by Schacht in Germany: international bilateral barter. The Schacht "solution" is efficient. However, it is not a solution; it simply suppresses the "secular international problem" radically by returning to barter.

According to Keynes, the instability of the balance of payments equilibrium is provoked by the scarcity of international liquidities. An asymmetry exists between a creditor economy and a debtor economy. The creditor economy will make the debtor economy implement, by will or by force, a policy of economic austerity. The creditor is all the more insistent because there is no alternative

[5] The fourth point of the Charter says: "They" (USA and Britain represented by Roosevelt and Churchill) "will endeavour, with due respect for their existing obligations, to further the enjoyment by all States, great or small, victor or vainquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity."

(such as borrowing from a banking system) to recover its debts. Evidently, this policy implies recession, and the debtor economy must increase its indebtedness instead of reducing it.

In the second text entitled "Proposals for an international currency union", Keynes proposed a fascinating alternative. He did not call for a world central bank; he proposed that foreign exchange markets should be organized by an "International Clearing Bank". This organization (which he later called the International Clearing Union) is smart. It forbids (although how it does this is not clear) all agents from trading foreign currencies with any other agents. Currencies can only be exchanged at the Clearing Union, and only for bancors:

"The idea underlying such a Currency Union is simple, namely, to generalize the essential principle of banking, as it is exhibited within any closed system. The principle is the necessary equality of credits and debits, of assets and liabilities. If no credits can be removed outside the clearing system but only transferred within it, the Union itself can never be in difficulties. It can safely make what advances it wishes to any of its members with the assurance that the proceeds can only be transferred to the clearing account of another member" (Keynes [1980], 112).

Each member of the Clearing Union subscribes to its capital and acquires, as a result, a right to borrow bancors exchangeable against foreign currency. Bancors are not convertible.

Local central banks are preserved, from this point of view. Each monetary area is free to pursue its own monetary policy. National sovereignty – inside each monetary zone - *seems* not altered by the Keynes Plan.

In a later draft, written in 1942, Keynes described exactly what "we need":

a) "We need an instrument of international currency […] used by each nation in its transactions with other nations.
b) We need an orderly and agreed method of determining the relative exchange values of national currency units, so that unilateral action and competitive depreciations are prevented.
c) We need a quantum of international currency […] governed by the actual current requirement of world commerce, and also capable of deliberate expansion and contraction to offset deflationary and inflationary tendencies in effective world demand.
d) We need a system possessed of an internal stabilizing mechanism, by which pressure is exercised on any country whose balance of payments with the rest of the world is departing from equilibrium in either direction, so as to prevent movement which must create for its neighbours an equal but opposite want of balance.
e) We need an agreed plan for starting off every country after the war with a stock of reserves appropriate to its importance in world commerce, so that without due anxiety it can set its house in order during the transitional period to full peace-time conditions […]
f) […]
g) […]
h) More generally, we need a means of reassurance to a troubled world, by which any country whose own affairs are conducted with due prudence is relieved of anxiety, for causes which are not of his own making, concerning its ability to meet its international liabilities; and which will, therefore, make unnecessary those methods of restriction and discrimination

> which countries have adopted hitherto, not on their merit, but as measures of self-protection from disruptive outside forces" (Keynes [1980], 169).

The Keynes Plan is quite new. "What we needed" in 1943 is not very different from "what we need" in 2016. The difference from the White Plan is simple. The Keynes Plan, as Keynes wrote, is a plan to establish an international banking system, and the bancor is its keystone. The great idea is that the Keynes Plan preserves local money and therefore local monetary policies. The latter are subject to one very heavy obligation, and of course, this clause is an encroachment to sovereignty: they *must* keep their balance of payments at equilibrium. However, they now have the means to do so. The Keynes Plan would impose penalties not only on economies running deficits, *but also on those with a lasting positive balance*.

The Keynes Plan aimed to solve the "secular international problem" because it is fundamentally the same as the internal problem: the fear of a lack of liquidity is the principal hindrance to investment.

Comparing the White Plan and the Keynes Plan, as governmental propositions, the two plans had very different objectives and the reader wonders how communication was possible during the Bretton Woods Conference. What are the "inescapable problems", according to the White Plan?

"One thing is certain. No matter how long the war lasts […] we shall be faced with three inescapable problems: to prevent the disruption of foreign exchange and the collapse of monetary and credit systems; to assure the restorations of foreign trade; and to supply the huge volume of capital that will be needed virtually throughout the world for reconstruction, for relief, and for economic recovery" (Horsefield, 37).

The White Plan aimed to solve the problems of the post-war period. The first two problems were studied by Keynes in the *Economic Consequences of the Peace*. White rejected a return to laissez-faire policies. According to him, state control of foreign exchanges is *not* an exceptional and transitory measure; balance of payments equilibrium is a permanent goal of economic policy. This is significant. Like Keynes, White did not believe in the laissez-faire doctrine. White would probably have adhered to the famous Keynesian proposition: "To suppose that there exists some smoothly functioning automatic mechanism of adjustment which preserves equilibrium if only we trust to methods of laissez-faire is a doctrinaire delusion which disregards the lessons of historical experience without having behind it the support of sound theory"[6] (Keynes [1980], 21-22).

However, the third problem is quite opposed to the Keynesian approach, since White wanted to organize public intervention to prevent the *scarcity of capital*.

The objectives of the White Plan were twofold:

1) In the long term, to ensure stability of the foreign exchange market, based on the convertibility of currencies and the convertibility of dollars into gold;
2) In the short term, to ensure the "huge volume of capital" needed for the reconstruction of Europe.

[6] Today, we know how "sound theory" (for example, the general equilibrium theory) proves how dogmatic the laissez-faire doctrine is. In general, if general equilibrium exists, it is multiple and highly unstable.

White separated the issue of monetary equilibrium from that of growth. And growth was evidently central for him. That is why, according to White, the most important institution was the "Bank for Reconstruction and Development of the United and Associated Nations", the future World Bank. The stability of exchange rates is only an (important) condition of "reconstruction and development", and it is the task of the second institution: the IMF.

Here the difference between Keynes and White is clear. According to Keynes, the rate of growth is explained by the incentive to invest, and this is strongly correlated with "the investor's anxiety" concerning their indebtedness.

IV

Thus Keynes and White defended very different theoretical positions. For Keynes, the rate of interest measures the anxiety of borrowers and lenders. For White, the rate of interest measures the scarcity of capital and the World Bank is needed to provide capital at a cost below that of the market. However, as Moggridge established, they had to make a common front against the same enemy. They had to fight, not the Nazi government or Nazi supporters, but the partisans of *laissez-faire*. And the political context was particularly intricate.

Who were the partisans of *laissez-faire*? Who was afraid of Keynes and less afraid of White?

To answer these questions, I want to emphasize three major difficulties of the Keynes Plan. Firstly, the definition of economic units; secondly, the problem of the equilibrium of economic relations between economic units; and thirdly and above all, one obvious effect of the Keynes Plan: the removal of one important source of banking profits: exchange commissions and speculation on foreign exchange markets.

1 The Definition of Economic Units.

What are the members of the ICU? Keynes knew how difficult this question was. Countries (independent nations, with their boundaries, their customs, and their government) or empires (the Commonwealth, the French colonial empire) are generally not congruent with a monetary zone (for example Canada and Newfoundland are not members of the sterling zone), even less with an economy, theoretically unified by competition. In a footnote, Keynes wrote: "The national unit for the purpose of this Currency Union would comprise the whole of any area having a common currency and banking system" (Keynes [1980], 33). In the second version of his plan, Keynes suggested a list of an "ideal arrangement" of all the countries of the world (Keynes [1980], 56).

As we have seen, the Keynes Plan is far from bilateralist. However, the White Plan is clearly multilateral, because its economic units are the countries that will be members of the future United Nations. Behind this difference of approach, we find the most difficult conflict between allies. This concerns the right to self-determination inscribed in the Atlantic Charter, which jeopardized the British, French, Belgian and Dutch colonial empires. If some commentators uphold that the Keynes Plan is in favor of Churchill's conservative position, this is perhaps because it does not suppose nations to be the economic units of the ICU. However, if monetary areas are perhaps a compromise between American and British positions, this compromise is surely the best definition of the units of international monetary relations.

2 The equilibrium of the exchange between economic units.

The issue of economic units is important, because achieving the equilibrium of international exchanges is dependent on their definition.

Thus, the Keynes Plan supposes that borrowing units have to pay the ICU rising interest charges. On the other side, the ICU confiscates the surplus of lending units. The Euthanasia of the Rentier would be a sinecure compared to this task. The scarce currency clause is probably the only echo of this Keynesian proposition.[7]

Moreover there is a limit to the analogy between the ICU and a banking system. The bankruptcy of an agent is possible inside a banking system. The bankruptcy of a monetary area (hyperinflation) is very difficult to manage.

However, governments are empowered to adopt economy policies coordinated by the IMF. This is the great difference between the BWS and the Gold Exchange Standard.

These permanent infringements on *laissez-faire* policy were probably the best that could be obtained by Keynes and White against the *laissez-faire* partisans.

3 An important consequence of the Keynes Plan.

Moggridge and Dostaler refer to the opponents of Keynes and White as *laissez-faire* partisans. But who were they? They were not, for example, future members of the Mount Pelerin Society, such as Stigler or Hayek; because Keynes did not fight against the lack of knowledge or awareness. Keynes did not fight principally against economists.

Admittedly, *laissez-faire* is a “doctrinaire delusion”. However, this “delusion” was not all that Keynes had to fight against. To be convinced of this, we only have to compare the greatest difference between the Keynes Plan and the White Plan. As we have seen, the Keynes Plan was intended to avoid the deflationary situation provoked by relations of indebtedness between monetary zones. As far as I know, Keynes himself did not seem to perceive *another stabilizing factor*, which is the direct consequence of his Plan. If the bancor is the obligatory medium for exchanging currencies, the number of foreign exchange markets is significantly reduced. We know why foreign exchange markets are necessarily unstable: if there are n currencies, with n monetary zones, and n central banks, then there are n foreign exchange markets where $n-1$ other currencies are quoted. Of course, we all know how fast arbitrages are. However, this speed does not imply a convergence toward equilibrium. So the most striking feature of Keynes’ ICU and bancor is the existence of a numeraire, indispensable for the stability of international exchange market. Instead of n markets, there is only the Clearing Union, with n rates of exchange.

Thus the Keynes Plan *closes all foreign exchange markets*. Only the ICU remains. A necessary (but not sufficient) condition for stable equilibrium is fulfilled. Who are the losers? On the contrary, the White Plan and the BWS do not modify the number of foreign exchange markets. Who are the winners?

Keynes fought against interests. As he wrote at the end of the *General Theory*:

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[7] Harrod was very happy with this clause, Keynes was very dubitative. See Moggridge (1992).

"Is the fulfilment of these ideas a visionary hope? […] Are the interests which they will thwart stronger and more obvious than those which they will serve?" (Keynes, [1936], 383).

I can conclude: The bancor suppresses the very ancient and profitable practice of foreign exchange fees and of speculation on foreign exchange markets. This is the point that the BWS would not implement. Even the very weak version of White's "unitas" was rejected by Congress. What are the interests that would be thwarted by the suppression of the foreign exchange markets? The answer is simple. As we well know, the word "bank" comes from "banco", the table where currency exchangers worked during the Middle Ages. The interests of bankers were the principal interests threatened by Keynes's proposal.

Even if the alliance between Keynes and White against those partisans of *laissez-faire* was urgent - as Moggridge underlines – the worm was in the fruit. The BWS would fail because it made a national currency (the dollar) the international currency, as if the world was identical to the dollar zone.

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Conference In antwerp. The concept of research focuses on bench marking and extending of knowledge in successful implementation and integration of research outcomes in real life for the betterment of society. This research development process covers almost every field of science and technologies, education,social science & humanities, health and medicine, economics and finance sectors and business practices.The events like conferences , seminars and webinars are intend to offer the sharing of knowledge in a global platform where various researchers from every part of the world join together in a common purpose. The 21st CESS Annual Conference will be held at The Ohio State University in Columbus, OH. The conference will run from 1 pm on October 14 to 1 pm on October 17, 2021, with pre-conference workshops on October 13 (morning and afternoon) and October 14 (morning). The conference will be held in hybrid format, combining in-person, online, and hybrid panels, the majority of which are anticipated to be available to all conference participants in a virtual format. Originally scheduled to be held in October 2020, the conference was postponed in light of Covid-19. Please see the Update on CESS conferences (May 2020) for further details. In 2022, the CESS Annual Conference will be held at Indiana University, Bloomington, IN. 21st Annual ESHET Conference. Rationality in Economics. conference guide. 18-20 May 2017. 21st Annual Conference of the European Society for the History of Economic Thought â€œRationality in economicsâ€. Scientific Committee.Â Antwerp Town Hall Grote Markt 1 2000 Antwerp University of Antwerp Stadscampus, Prinsstraat 13, 2000 Antwerp Corridor of the C building (1st floor). 6.