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NEW BRUNSWICK NEW JERSEY

Dr. Hans Heymann
DEPARTMENT OF ECONOMICS

April 2, 1943

Marriner S. Eccles
Governor, Federal Reserve Board
Washington, D.C.

My dear Mr. Eccles:

As you were kind enough to introduce me to Mr. Berle in 1940, I am taking the liberty of sending you a copy of a letter addressed to him.

Would you think it advisable to bring this to the attention of Mr. Jessie Jones?

Respectfully yours,

Hans Heymann
Hans Heymann

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FEDERAL RESERVE BANK OF ST. LOUIS

Copy

Dr. Hans Heymann

April 2, 1943

A.A. Berle Jr.
Ass't Secretary of State
Department of State
Washington, D.C.

Dear Mr. Berle:

You can imagine with what amount of interest I have observed the Keynes White Paper discussions in Washington.

The Harry D. White plan about which I was informed last summer -- as I reported to Dr. Pasvolsky and you in November -- was not unknown to me. I do not know the eventual, latest changes.

As far as can be judged from the press comments on the Keynes paper, it might interest you to know, that most of what he has proposed therein could have been brought to realization at the time when the B.I.S. was discussed in Paris. You will recall that it was within the powers of that bank to issue an international currency. But nothing of that sort came out of the negotiations, neither the currency nor more creative measures (credits to trade or investment on long-term). We practically implored those who were mainly responsible for that bank to do more than merely reparation clearing. I shall never forget men like Franqui, Schacht and the late Sir Josiah Stamp, calling for more creative measures.

Now again all this comes before the world audience and even this minimum of a "clearing union" is partly being resented. There arise the gold adherents crying for the return to the international gold standard and so forth.

I say minimum, because so much we can already realize from the wireless report that the international money unit proposed by Keynes accomplished only one -- though very important -- function of international currency, namely clearing.

As to the currency itself, we could perhaps term it an "abstract" or impersonal currency. It supplants gold as a governing factor (and there will be some disputes about the extent of flexibility, etc.); but its value is fixed in terms of gold, that means adjusted to a certain quantity of gold in order to save the value of this precious metal. This compromise solution is exactly what was proposed in the Bank of Nations program for more than twenty years.

The maximum debit balances of the individual partner countries are based on the average export-import volume possessed by those member countries during the last three pre-war years. It is expected that this clearing union would stabilize international trade agreements, etc. So far, so good.

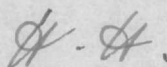
The creative functions seem to be proposed in a way that the clearing union itself would establish a clearing account for an international body (Bank of Nations) charged with administering relief and rehabilitation. During the promotion period of the Hemisphere Bank it was proposed that each participating nation should directly own share capital and, you will remember, I recommended that each partner would then be granted the right to command 10, 15, or 20 times that share participation in Inter-American currency and thereby be able to command additional purchasing-power.

The supporters of the Keynes plan argue that their plan would avoid the necessity for any nation "to bear an undue share of the burden inasmuch as resources would be provided first by countries with credit balances. In that way funds would be provided by the system as a whole without the necessity of calling on individual nations for contributions from taxpayers for international projects in competition with national reform programs." This sounds very social-minded. However, we must not forget the fact that Lord Keynes speaks as well for the Bank of England as he speaks as adviser to the Exchequer. This is only one of the questions which afford some consideration on our part. Another would be the inclusion of at least Soviet Russia in the Anglo-American "clearing union" for very obvious reasons, explained in my recent article in Free World (April issue).

The more advanced plans of short and especially long-term credit creation are not mentioned in the wireless report. I wonder what Lord Keynes may think of the capital credit bank idea of long-term credit issues based on guarantee of solidarity (with interest rates limited to the actual cost of forfeit and servicing). The tremendous economic vacuum after the war will force the leaders and governments of nations everywhere to accept this kind of international credit of solidarity at minimum interest guaranteed by the participating nations.

If I could be of any help in these intricate problems, please feel at liberty to utilize my services wherever and whenever needed.

Faithfully yours,



Hans Heymann

hh/hk

P.S. I am taking the liberty of sending a copy of this letter to Dr. Leo Pasvolsky, as answer to a letter received from him yesterday; to Mr. Marriner S. Eccles; and to Secretary of the Treasury Morgenthau.

April 6, 1943.

Dr. Hans Heymann,
Department of Economics,
Rutgers University,
New Brunswick, New Jersey.

My dear Dr. Heymann:

This is to acknowledge your letter of April 2 enclosing a copy of the one you addressed to Mr. Berle in regard to the discussion of post-war international finance. I appreciate your courtesy in sending it to me.

I do not know whether Mr. Jones is giving attention to this subject at present and hence I would not venture an opinion as to sending a copy of your letter to him.

Sincerely yours,

M. S. Eccles,
Chairman.

 ET:b