MANUSCRIPT DIVISION

The Papers of

LEO PASVOLSKY

1

LEO PASVOLSKY

SUBJECT FILE

International Economic Relations 1944

DECLASSIFIED
E. O. 12356, Sec. 3.3
DOS Guidelines, 11/04/04
By Dlt, NARS, Date 12/28/05

LP - Memos of Conv.

DECLASSIFIED
E.O 12356 Sec. 3.3
Dept. of State Guidelines 4/16/84
By E.A.T NARA/ LC
Date 10/22/87

SECRET

MEMORANDUM OF CONVERSATION

Date: June 24, 1944

Participants: Lord Keynes

Dr. Pasvolsky

Keynes told me that the British have come to the conclusion that the establishment of a Bank is absolutely indispensable in order to meet the situation which is going to arise in the reconstruction field because of the obvious inadequacy of the UNRRA for that purpose. He said that on the way over, he and his colleagues had discussed the matter very thoroughly with the representatives of several governments-in-exile, especially the Czech, Belgian, Polish and Norwegian, and were very much impressed by the argument that these countries and other liberated countries in Europe are more anxious about their ability to secure foreign financing for the purpose of restoring their economic activity as rapidly as possible than they are about almost any other question. On the trip over the British discussed the ideas which they are now putting before us with these European representatives and believe that those governments would be most anxious to support the proposal.

Keynes also gave me a picture of some of the difficulties which he believed it is important for us to realize in connection with the British situation. When I said to him that his speech in the House of Lords has caused us considerable trouble here, he replied that the situation was so bad that he felt it absolutely necessary to say the things he had said. In fact, he said that just before he delivered his speech, there was an almost universal conviction in the parliamentary circles that the opposition had won out and the proposal for the stabilization fund was dead as far as Britain was concerned. That situation, he said, was changed by his speech, but there is still much trouble ahead. We did not have a chance to discuss further the points which he raised in his letter to me but are planning to do so before I leave Atlantic City.

LP:ja

COPY

Treasury Chambers,
Great George Street,
S. W. 1.

PERSONAL AND
PRIVATE

24th May, 1944.

My dear Pasvolsky,

You may like to have an early report of Yesterday's debate in the House of Lords on the Monetary Proposals, and I enclose a copy of Hansard. I have also sent White some Press cuttings. As was the case when the scheme first came out, the Press has been all that one could wish, fair, objective and sympathetic. But as you will be aware, the Proposals had a pretty rough passage in the House of Commons.

The background position is that a very small minority, who are set on extreme bilateralism, have been working extremely hard to create prejudice by taking advantage of imperial sentiment now passing over this country and by misrepresenting the monetary proposals as tantamount to a return to the gold standard. This last suggestion is not very easily dealt with for an ignorant public, and the mere suggestion of it is capable of upsetting almost every single person in this country.

Behind all this, moreover, lies considerable disquiet arising out of rumours about the commercial talks, no authentic version of which has yet been published or has even leaked to any outside circles. This is something on which I should like to have a long heart-to-heart talk with you. A great deal of the sentiment and opposition prevailing in this country at the moment is, in my judgment, superficial and need not be taken too seriously. All the same, a good deal of attention has to be paid to it. It is, I am afraid, absolutely certain that if the commercial proposals were published in this country in their present form, they would meet with overwhelming opposition in both Houses of Parliament, and indeed, throughout the Press. There simply would not be a dog's chance and prejudice would have been aroused which would take a long time to quieten down. To a considerable extent, but not entirely, this is, I fancy, a matter of presentation. The commercial proposals have been drawn up on those lines which are most suitable from the point of view of satisfying American public opinion, and unfortunately in this case, that means lines which are most likely to provoke opposition in this country. You understand that I am writing this quite personally and without consulting anyone else. But I am sure there will have to be a pretty drastic change in presentation and some changes in substance, if we are to make progress.

The great

The great thing is that you should not misinterpret current opinion in this country as being in any respect a reaction against internationalism. It was most striking in the House of Lords yesterday how all the references to the essential necessity of international schemes, if any of us are to live happily hereafter, were warmly applauded and clearly struck the predominant note.

But there is something else which is not to be overlooked. This country is immensely exhausted and has made sacrifices so far as encumbering the future goes, far beyond those of the other United Nations. The big public is just beginning to become acutely aware of our post-war troubles but does not see daylight any more than I do myself. Naturally, therefore, there is great anxiety that we should not be cutting ourselves off from conceivable expedients before we really know what expedients we are likely to need. On the top of that, I think I ought frankly to add, is a somewhat irritated atmosphere, arising out of the naggings about Lend-Lease, and completely untruthful charges that we are trying to take improper advantages. There also appears to the general public to be a concerted effort to prevent us doing anything at all to improve our export trade prospects after the war, which, whilst it is a luxury to you, is a matter of life and death to us. In matters of this kind, there is in my judgment, a very great defect in the way in which we here handle ourselves. When any particular incident arises, we do not immediately react with any vehemence but take the whole thing most meekly. If we reacted properly, we could get the mischief out of our system and probably get it out of yours, too, and be good friends again. But as we do not, these things get under people's skin, and whilst it is difficult to be at all definite about it, an irritable general atmosphere is present such as did not exist a few months ago. Also, of course, everyone is frightfully wrought up and tense about the coming battle. The ordinary man's life is upset in many new ways. We are so near to the scene of events that we all of us feel almost in the battle. Indeed, a large part of the country is an armed camp and a training area. It is into this atmosphere that reports arrive that, so far as our relations with U.S. are concerned, everything has to be subordinated to a prospective election.

As I have said, all this is not to be taken too seriously, but it is not to be overlooked. I look forward to having a chance of going through it all with you more thoroughly.

Yours ever,

s/ KEYNES

July 20, 1944

MEMORANDUM FOR THE SECRETARY

PROBLEM OF ECONOMIC DISCUSSIONS WITH THE BRITISH

This memorandum is based on conversations which I had in Atlantic City and in Bretton Woods with Lord Keynes; Sir Wilfred Eady of the British Treasury; Mr. Nigel Ronald of the Foreign Office; and Professor Lionel Robbins, economist of the War Cabinet.

DATE: Sept. 9, 1944

Memorandum for Re Secretary

Economic Conversations with the British

This memorandum is based on conversations which I had in Atlantic City and ~~S~~ in Bretton Woods with Lord Keynes; Sir Wilfred ~~Eady~~ of the British Treasury; Mr. Nigel Ronald of the Foreign Office; and Professor Lionel Robbins, Economist of the War Cabinet. ~~and~~

~~In these conversations, the following factors a~~ A brief talk in Washington with Mr. Rickard Law.

All four described themselves as completely in accord with us as to the need of pushing ahead with Article VII discussions.

DATE: Sept. 9, 1944

1. ~~K. discussed that~~ one difficulty in the British situation, which is not ~~usually discussed~~ generally mentioned, is that the British isolationists are using, in discussions inside influential circles, the argument that the United States is bound to get into economic difficulties within a decade after the war and that the ~~U.K.~~ British should not, therefore, tie their fate too closely with that of the U.S.

2. K. finds himself in a difficult position. After the last war, the predominant view was that exchange stability was indispensable. He had fought and argued for flexibility and greater freedom of internal action than ~~that~~ was possible under the other system: Now he feels that he has "oversold" his ideas. The country is far ahead of him, dangerously so in his opinion -- and he has to use his efforts to hold it back.

3. There are extremely influential circles which regard the U.S. hopeless from this point of view. They are really isolationists, completely sold on freedom of action in international relations for the sake of freedom of domestic policies. They are, moreover, using the above argument to the utmost.

4. K. himself thinks that there is enough truth in the argument to make it extremely dangerous. We in U.S. are prone to think that we are an island of stability while the rest of the world is precarious rumbabb. The reverse is true. Our economic life is subject to great fluctuations which are extraordinarily powerful factors in the world situation.

Memorandum of Conversation

DATE: Sept. 9, 1944

DECLASSIFIED
E.O 12356 Sec. 3.3
Dept. of State Guidelines
By E.A.T NARA/ LC
Date 10/22/87

SECRET

MEMORANDUM OF CONVERSATION

Date: June 24, 1944

Participants: Lord Keynes

Dr. Pasvolsky

Keynes told me that the British have come to the conclusion that the establishment of a Bank is absolutely indispensable in order to meet the situation which is going to arise in the reconstruction field because of the obvious inadequacy of the UNRRA for that purpose. He said that on the way over, he and his colleagues had discussed the matter very thoroughly with the representatives of several governments-in-exile, especially the Czech, Belgian, Polish and Norwegian, and were very much impressed by the argument that these countries andother liberated countries in Europe are more anxious about their ability to secure foreign financing for the purpose of restoring their economic activity as rapidly as possible than they are about almost any other question. On the trip over the British discussed the ideas which they are now putting before us with these European representatives and believe that those governments would be most anxious to support the proposal.

Keynes also gave me a picture of some of the difficulties which he believed it is important for us to realize in connection with the British situation. When I said to him that his speech in the House of Lords has caused us considerable trouble here, he replied that the situation was so bad that he felt it absolutely necessary to say the things he had said. In fact, he said that just before he delivered his speech, there was an almost universal conviction in the parliamentary circles that the opposition had won out and the proposal for the stabilization fund was dead as far as Britain was concerned. That situation, he said, was changed by his speech, but there is still much trouble ahead. We did not have a chance to discuss further the points which he raised in his letter to me but are planning to do so before I leave Atlantic City.

LP:ja

Memorandum of Conversation

DATE: Sept. 9, 1944

1. Political Difficulties
2. Empire people
3. Thirdwell & totalitarian socialists
4. Farmers
5. General suspicion & fear of U.S.
6. Churchill's position
7. Preoccupation with immediate post-war financing:
8. Debt problems

Rosa — anti future bid
for power

Popular opposition and freedom
of action

Mostly from social credit
people

Position of CCF uncertain

Technical process:

Convertibility of obligations

1. Not remote future, but
lengthening period of transition

2. Risks need to be taken by everybody

3. G.B. not in position to face risks -
not borrowing

4. Initiation
1. White paper
2. Criticism
3. Lend lease for credit

5. Empire relations

6. Empire + Schacht. (Balogh
Einzig
Schumacher
&c.)

7. Will give us papers suggesting
new approach.

8. Hope we can have convers in
Washington + London

9. Keynes repudiated for time being.

10. Will try to make their position
clear to us.

11. Trouble is have not made up
their minds, really.