Cambridge Journal of Economics 2021, **45,** 751–769
doi:10.1093/cje/beab018
Advance Access publication 16 June 2021

The Keynes Plan and Bretton Woods debates: the early radical criticisms by Balogh, Schumacher and Kalecki

Adrien Faudot*

The prestige of John Maynard Keynes, as well as the smart design of his plan, made the proposal for an International Clearing Union particularly worthy of interest when it was released. Economists with orthodox views on international adjustment criticised the plan, but less well known criticisms also came from within Keynesian circles. Several economists in J. M. Keynes' professional milieu provided comments and asked for amendments to the draft plan in order to improve his scheme for the clearing union. This paper analyses the published responses of Ernst F. Schumacher, Thomas Balogh and Michal Kalecki to the Keynes Plan. These authors provide early, radical criticisms of his plan, targeting the sustainability and efficiency of the proposed international monetary reform.

Key words: International Clearing Union, Balogh, Kalecki, Schumacher
JEL classifications: B2, B3, E42

1. Introduction

The Keynes Plan remains to this day the most commented on project for reforming the international monetary system. Once the US delegation rejected it, the plan had no chance of being endorsed at the Bretton Woods conference in 1944. As explained by Raymond Mikesell, a US delegate at Bretton Woods, 'the clearing-union principle was foreign to the American financial community and to the Congress and was, therefore, unacceptable' (Mikesell, 1994, p. 14). The US rejection of the Keynes Plan can also be explained by the perceived opportunity to set the stage for the hegemony of the US dollar. De Cecco (1979, p. 52) once wrote that 'the New York financial community saw itself as the natural heir to the international role traditionally played by the City of London. The immediate post-war period seemed the appropriate time for the transfer of power to take place'. Finally, at the forefront of the concerns raised by the Keynes Plan was the fact that the plan seemed too much in favour of debtor countries and that

Manuscript received 19 March 2020; final version received 7 January 2021.
Address for correspondence: IUT Valence (bureau A205), 51 rue Bathelemy de Laffemas, 26000 Valence (France); email: adrien.faudot@univ-grenoble-alpes.fr
*CERAG, University of Grenoble Alps, France. The author would like to thank the two reviewers for their comments, as well as the people who helped him with comments or discussion at various stages of the paper: Edoardo Beretta, Robert Leonard, Perry Mehrling, Sergio Rossi, Stephanie Winder.

it was in need of a foreign exchange control apparatus. The US delegation had a much more liberal stance on the international monetary system and espoused the classical principle of international adjustment.[1] Such a state of affairs should not, however, lead to the assumption that US economists were all in line with the US position at Bretton Woods. In fact, it was criticised by several notable American economists such as John Williams, Alvin Hansen, Herbert Feis and Charles Kindleberger.

On the British side, the Keynes Plan was also criticised by a handful of UK-based Keynesian scholars. This paper deals with the criticisms made by Thomas Balogh, Ernst F. Schumacher and Michal Kalecki (hereafter BSK). Their criticisms started in April 1943 upon the release of a white paper setting out the British position. They became more severe after Keynes' rallied behind the 1944 Joint Statement by the US and UK delegations. These three authors had several features in common. They were refugees in Britain during the late 1930s and the Second World War—Balogh was Hungarian, Schumacher was German and Kalecki was Polish. They were staff members of the same research institute during the 1940s—the Oxford Institute of Statistics, which had been set up in 1935 (later renamed the Oxford Institute of Economics and Statistics). They were involved in the organisation of a series of conferences at Oxford, where they contributed to the dissemination of 'Keynesian' ideas (Young and Lee, 1993, p. 143). Another common feature is that they all experienced collaboration with John Maynard Keynes. Keynes even helped each of them to find them an academic position in Britain, given that he had a significant influence on academic recruitment in Britain at this time. Eventually, however, all of them experienced the deterioration of their relationship with Keynes.

After the war, they followed different paths. Schumacher had probably the most atypical career. In 1946, he became an economic adviser to the British Control Commission that oversaw German reconstruction (Wood, 1984, p. 187), and then in 1950 he became the chief economic adviser at the British National Coal Board. During a trip to Burma, he converted to Buddhism. His work on the international monetary reform is less well known than his 1973 book *Small is beautiful* and his essays on Buddhist economics, which made him famous (Leonard, 2019).

Kalecki is one of the most famous economists of the twentieth century (Worswick, 1977). He remains a much-quoted authority on post-Keynesian economics. After starting his career in Poland as an economics journalist, he went to Sweden, then to England where he carried out research at LSE, Cambridge and eventually Oxford. The career prospects at Oxford were not promising since, at the end of the war, the return of the British scholars involved in war planning jeopardised the position of the academics who had arrived as refugees. Kalecki moved to the International Labor Office in Montreal and then to the United Nations (New York) before returning to Poland in 1955 as an economic adviser to the Polish government.

[1] The Keynes Plan had many admirers amongst the US officials, but it conflicted with both the US national interests and the classical view that dominated the US delegation. As Joseph Burke Knapp (from the Treasury Department during the war) emphasised, '[t]he Keynes plan was a far simpler and intellectually more satisfying structure for monetary affairs. [...] The United States view was that if one country had a surplus and another country had a deficit in its balance of payments, it was the responsibility of the deficit country to adjust its position and get out of the hole. There was no problem with the surplus country; the surplus country was just a godfather that was carrying the other fellow over until he could put his house in order. So, the deficit country was exhorted to cut down on imports, push up exports, and cut back on the scale of internal economic development in order to dampen the demand for imports and release commodities for export rather than consumption on the domestic market'. Retrieved from https://trumanlibrary.org/oralhist/knappjb.htm.

Of the three economists, only Balogh remained at Oxford. He was a tireless activist in the fields of development economics and international monetary economics. His opinion was judged too radical in the academic world—Kindleberger (1950, p. 529), for instance, considered his work 'immoderate' and 'obscure'. He was a member of the Fabian Society and the Labour Party, and he was an adviser to many UK politicians from the Labour Party, including the Prime Minister Harold Wilson who made him a Baron in 1968.[2]

Based on their objections to Keynes' plan, the three economists conducted research together and elaborated an innovative alternative plan in 1943, which remains mostly ignored to this day. For example, neither Amato and Fantacci (2014) nor Ocampo (2017) mention the Oxford economists. The book edited by Lamoreaux and Shapiro (2019) on the Bretton Woods agreement, which explores the work of a large number of individuals involved both directly and indirectly, and includes a chapter on fierce British wartime debates, does not mention these three authors. Most of the post-Keynesian authors concerned with international monetary issues also omit mention of BSK's names (e.g. Davidson, 1992; D'Arista, 2004). Their plan was, nevertheless, rediscovered by Rossi (2007), who discusses the post-Keynesian analysis of international monetary reform, as well as by Toporowski (2018B).

The first objective of this article is to introduce the BSK plan and the thoughts of its authors on international monetary reform. The secondary objective is to draw the attention of post-Keynesian economists to certain overlooked limitations of the Keynes Plan, and to BSK's criticisms, so that they can take them into account in the current proposals for international monetary reform. The paper is organised as follows. The next section (Section 2) sketches the three economists' work at Oxford and relationship with Keynes. Section 3 expounds the principles and development of the Keynes Plan until its endorsement by the British Treasury. Section 4 sets out the criticisms made by Balogh, Schumacher and Kalecki concerning the conception of the clearing union, in particular, regarding long-term capital flows and exchange controls, issues which were important to the three Oxford economists.

2. Balogh, Schumacher and Kalecki at Oxford

Thomas Balogh (1905–85) was a Hungarian-born economist, trained in Hungary and Germany.[3] He worked in the Reichsbank under the direction of Hjalmar Schacht (Morris, 2007, p. 10) and in the Bank of France to complete his training during the late 1920s. In 1930, he acquired the support of Keynes, who was impressed by his study of 1920s gold importation into France. As the editor of the *Economic Journal*, Keynes decided to publish an English version of Balogh's study (Balogh, 1930). He helped Balogh to find employment in England by asking for a favour from a former colleague who was working in London, at O.T. Falk & Co. (Graham, 1992, p. 195). Balogh then became a lecturer at University College, London before being appointed at Oxford. He remained at Oxford from 1940 to 1970.

[2] The other Hungarian-born economist close to Balogh, Nicholas Kaldor, became a Baron six years later, in 1974, also while Wilson was in office.

[3] Balogh had also been a student of Ernst Fritz Schumacher's father, Prof. Hermann Schumacher, who taught economics in the 1920s in Berlin.

Balogh carried out a thorough examination of foreign exchange procedures and the first establishment of exchange controls in the 1930s in continental Europe, which were formally implemented within the sterling area in March 1940 (Balogh, 1940). Economists were not very familiar with this new kind of policy that appeared in the 1930s (Moggridge, 1986, p. 57), despite its widespread application in Europe. Balogh viewed the introduction of exchange controls in the UK as the natural outcome of the 1930s international liquidity crisis. Exchange controls involve the channelling of foreign exchanges by central banks and could be defined in a broad sense as 'the measures directed toward stabilizing the market in foreign exchange' (Ellis, 1941, p. 1). They are an unusual sort of capital controls that are able to prevent or limit the conversion of the national currency into foreign currencies.

Balogh had warned in a 1938 article—also published in Keynes' *Economic Journal*—that the German economy was expanding as a result of a new set of effective interventionist policies, including the implementation of exchange controls and clearing agreements (Balogh, 1938). Unsurprisingly, Balogh (1940) recommended that UK foreign economic policy should adopt such agreements as the appropriate solution to the problem of mustering the necessary resources before the imminent war. In the 1940s, he was seen as a left-wing economist (Mikesell, 1954, p. 141; Kindleberger, 1984, p. 432). Throughout his career, he consistently defended the arguments that he, Schumacher and Kalecki had emphasised, even after the two other economists had left Oxford and moved on to other fields of interest (Balogh, 1943A, p. 311; 1960; 1970, p. 97).

Ernst F. Schumacher (1911–77) was at Oxford from March 1942 until 1945. He had been a student in Britain, where he met Keynes for the first time in 1929 (Wood, 1984, p. 20). He completed his education at Oxford, and then at Columbia in the USA. He decided to return to Germany in 1934 and began a non-academic career.

Interestingly, in Germany Schumacher worked from 1935 to 1937 as an employee of a syndicate of international companies—including the firm Unilever—which had been set up to arrange international trade in the absence of currency transfers, due to the exchange controls and clearing agreements decreed by Hjalmar Schacht. The clearing agreements had been put in place in 1931 to enable the continuation of international trade by circumventing the key currencies shortage while still complying with the exchange controls in force in continental Europe. This set of measures involved the centralisation and planning of international trade through national clearing offices (for a description, see Roselli, 2014, pp. 105–37). The experience in this syndicate gave Schumacher a practical knowledge of trade under the particular conditions of bilateral clearing agreements and exchange controls.

In 1937, keen to escape Hitler's Germany, he decided to move to London, where he had previously studied and still had connections (Wood, 1984, p. 85). He worked as an investment adviser for one of the syndicate's clients—Georges Schicht, the head of Unilever in London. He resigned from this job in 1939 to live in a cottage in the small village of Eydon, between London and Birmingham. The owner of the farm was Robert Brand, who was the uncle of David Astor, Schumacher's faithful friend from the period when they were both students at Oxford. Brand worked for the Treasury and was professionally acquainted with John Maynard Keynes.

As a German resident in Britain, Schumacher was interned in a camp in 1940 and spent ten weeks there following the outbreak of the war. Once back on his farm, he spent his free time on a project for a multilateral clearing union. During this period, he also elaborated a global plan for improving international trade and payments. His proposal for a multilateral clearing union was sent to Keynes through Brand on September 16, 1941 (Toye, 2011). In 1942, Schumacher published a paper in which he defined what he called 'the clearing principle' and supported a multilateralisation of existing bilateral clearings (Schumacher, 1942). He was also in correspondence with Rosenstein-Rodan—Secretary of the Post-war Reconstruction Committee of the Royal Institute of International Affairs—who circulated Schumacher's paper on multilateral clearing.[4] This paper, which called for a 'pool clearing', was widely discussed outside the Institute, including in the USA. For instance, Charles Kindleberger judged it to be among the most outstanding unorthodox proposals aiming at post-war monetary stabilisation.[5]

Keynes was particularly interested in Schumacher's plan. He started corresponding with Schumacher in November 1941 and invited him to attend a tea party on November 23. After joining the Keynesian circle, Schumacher was recruited by Balliol College in 1942. In subsequent letters to Keynes, Schumacher alluded to the possibility of publishing his proposal in the *Economic Journal*, but Keynes repeatedly asked him to wait for the release of the official British proposal, adding that his [Keynes'] proposals 'go perhaps rather further than yours' (quoted in Leonard, 2018, p. 8). Schumacher was dismayed and became frustrated that he could not disseminate his theoretical findings.

> One day I met him; then there followed an exchange of letters. He always said to me, keep at it. At one point I could go no further because I was completely isolated from the outside world. I could not get in touch with colleagues. Then I wrote to him asking if he could not publish my article in a journal published by Keynes. He wrote back to me that the time of publication had not yet come. Shortly thereafter, my plan was issued as a white paper by the Ministry of Finance. Keynes had made changes to a number of minor points. Thus he changed what I called 'banking entity' to 'banker'. But that was really too bad. It was my plan. (quoted by Leonard, 2018, p. 10)

Schumacher felt that Keynes had taken most of his ideas and had even deformed them. This frustration fed his criticisms of the British plan that followed. He was disappointed because his proposal, eventually published in *Economica* (Schumacher, 1943A), did not have the impact he had wished.[6] He continued, nevertheless, to engage in dialogue with Keynes. In 1946, as economics editor for *The Times*, Schumacher wrote Keynes' obituary.[7]

Michal Kalecki (1899–1970) started to work at the Oxford Institute at the beginning of 1940 and resigned in March 1945. He had arrived in England in 1936 as a visiting scholar, initially at the London School of Economics, and then at Cambridge in 1937 with a 6-month grant. He was in a precarious financial situation at that time. In 1938, several Cambridge fellows who were impressed by Kalecki's academic results were afraid that he would be constrained to go back to Poland, with bleak prospects

[4] In 1943, Rosenstein-Rodan published a celebrated paper on the problem of industrialisation in the newly independent countries of Eastern Europe. He is considered one of the fathers of development economics.

[5] It is noteworthy that Kindleberger (1943) did not mention the name of the author of the 'pool clearing' proposal—authored by Ernst F. Schumacher—stating instead that the paper was circulating within the Oxford Institute as an unpublished document.

[6] Nevertheless, a Spanish version of his article on multilateral clearing was published (Schumacher, 1943C) in a special issue gathering the contributions of significant authors on this topic (including J.M. Keynes, Jacob Viner, John H. Williams and Henry Morgenthau Jr).

[7] This obituary (*The Times*, 22 April 1946) is reproduced in Harris (1947, pp. xvii–xxii).

(Marcuzzo and Rosselli, 2005). They managed to arrange a research project to provide him with a position at Cambridge. Keynes was the chairman of the research project committee, which also included Kahn, Austin Robinson, Sraffa and Champernowne (Toporowski, 2013, pp. 122–23).

The relationship between Keynes and Kalecki progressively deteriorated. When Kalecki presented his results in front of the Cambridge commission in 1939, they harshly criticised his work. He decided to resign and a few weeks later he began working at Oxford. The methodological gap between Kalecki and Keynes was significant owing to their different training and academic traditions. At the Oxford Institute, 'Kalecki was back in his element, commenting on policy and the most recent statistics and data, as he had done at the Institute for Business Cycles and Prices in Warsaw only five years before, and with little competition since British experts were now mostly working for the government and subject to official secrecy requirements'. (Toporowski, 2018A, p. 35)

Kalecki might seem at first sight a less important scholar than Balogh and Schumacher for the issue of international monetary reform because it does not feature as a central topic in his work, and he devoted far fewer articles to this question. Kalecki was, however, the 'towering intellectual figure' of the Oxford Institute (Hagemann, 2007, p. 338). Furthermore, he was particularly concerned by the obstacles to full-employment (Kalecki, 1943) and the influence of international factors on the national economy, among which international monetary issues feature prominently. Full-employment was the core issue of the Oxford Institute, as evidenced by the essays collected and published in the 1944 book *The Economics of Full Employment*: *Six Studies in Applied Economics* (Burchardt et al., 1944). Kalecki also published on the issue of multilateralism while he was working for the International Labour Office (Kalecki, 1946), as well as on the financing of economic development (Kalecki, 1955).

3. Keynes' proposals for an International Clearing Union

Keynes' preliminary reflections on the project of a clearing union began only in November 1940 (in response to a government request), but he already had an interest in international monetary issues, as evidenced by his writings and proposals of the 1920s and 1930s. In the *Treatise on Money* (1930), he devoted several chapters to international monetary issues. In the 1930s, he formulated several proposals for international monetary reforms, although none of them stood out as did his later proposal for an International Clearing Union (Moggridge, 2017, pp. 525–30).

As Skidelsky (2000) emphasises, Keynes did not comment on the clearing agreements policy of Hjalmar Schacht[8] until 1939, although these agreements shaped the European economy from the beginning of the 1930s until the end of the Second World War. While discussing the UK exchange control policy when the war broke out in September 1939, Keynes stated that '[o]ur international position is so totally different from Germany's that their technique does not offer a good model for us. I have not reached a decided opinion on the point' (Keynes, 1978, p. 12). However, in the wake of *How to Pay for the War* (Keynes, 1940), Keynes again discussed the exchange policy

[8] Dr Hjalmar Schacht was the Reichsminister of Economics (1934–38) and President of the Reichsbank (1923–30 and 1933–39).

that Britain should pursue in order to reach its political aims. After the success of Nazi Germany on the war front and the deterioration of Britain's position, Keynes embraced the imposition of exchange controls. On 20 March 1940, in a talk to the Parliamentary Monetary Committee and then in a memorandum circulated in April 1940 (Keynes, 1978, pp. 158–71), he called for the tightening of foreign exchange controls in Britain as well as the extension of clearing agreements (which were to include the USA).[9]

In November 1940, he was asked by Lord Halifax (at this time the Secretary of State for Foreign Affairs) to prepare a reply to the Funk Plan,[10] which renewed Keynes' research on the reform of the international payments system. The Funk Plan aimed at both continuing and improving the European clearing agreement policies by streamlining the multitude of bilateral clearing agreements into a multilateral arrangement within which Germany would have a pivotal role. The German policies of Schacht and Funk regarding international monetary order were a great source of inspiration for Keynes during the years 1940 and 1941 (Iwamoto, 1997).[11] Keynes publicly praised the pioneering ideas contained in their clearing policies. He wrote that Schacht's clearing policy 'was able to return to the essential character and original purpose of trade whilst discarding the apparatus which had been supposed to facilitate, but was in fact strangling it' (Keynes, 1980A, p. 23). He also recommended that Britain should offer a plan that was along similar lines to that proposed by Dr Funk (Keynes, 1980A, p. 8). The first version of the Keynes Plan was born in September 1941, after several months of reflection and discussion with close collaborators during which the plan was refined and redrafted several times with amendments.

The Keynes Plan was finally released officially in 1943 as a government white paper (*Cmd 6437*).[12] The plan opposed the liberal stance on the international monetary system and aimed at avoiding the deflationary biases of a self-regulated international monetary order, which had been punctuated during the interwar period by exchange rate instability and recurrent currency depreciation as well as discriminatory tariffs. After a decade of bilateral clearing agreements, the idea of 'multilateralism' had spread among economists. In concrete terms, it means that country A could be in deficit with country B without having to contract its imports when it records a surplus with country C. Each country should target equilibrium with the Clearing Union as a whole, which tolerates bilateral disequilibrium. The plan aims at the expansion of world trade.

All the member states' currencies would have fixed (but revisable) parities with a newly created international currency unit (Horsefield, 1969, p. 22). Keynes conceived of a supranational currency as a medium for international payments. It was to be both a unit of account and a means of payment created by overdraft facilities. The unit of account was named 'grammor' in the second draft of the proposal (November

[9] It is noteworthy that in May 1940 Keynes sent his memorandum on exchange control and exchange policy to Balogh (Keynes, 1978, p. 163). According to Moggridge (1992, p. 635), Keynes often used Balogh as a source of ideas in early 1940.

[10] Dr Walther Funk was the Reichsminister of Economics (1938–45) and President of the Reichsbank (1939–45). In 1940, he proposed a plan for a German-centered New European Order based on a European clearing union.

[11] The Funk plan was implemented to a certain extent between Germany and its allied or occupied countries following a decree from Göring in June 1940. The German Institute of Clearing (*Verrechnungskasse*) in Berlin, was in charge of multilateral compensation for the member countries. In 1942, 17 countries took part in this compensation scheme (BIS, 1942). Germany's debtor position vis-à-vis the member countries worsened throughout the war, which made the whole structure unsustainable.

[12] This white paper is reproduced in Horsefield (1969, pp. 19–36).

1941) and 'bancor' in the third draft (December 1941). It remained so in the subsequent drafts until the official release of the white paper. The bancor was to be the only international means of payment, but to have no purpose within the national economies. Hence, it would be the means of payment used by central banks to settle debts to other central banks. This supranational currency would be issued by a newly created supranational central bank (the International Clearing Bank, ICB)—the central bank for the national central banks. Each national central bank would have an ICB account and represent its country. The International Clearing Union was assumed to function in the same way as a banking system by applying the principles of banking. As Keynes explains,

> The idea underlying my proposals for a Currency Union is simple, namely to generalize the essential principle of banking, as it is exhibited within any closed system, through the establishment of an International Clearing Bank. This principle is the necessary equality of credits and debits, of assets and liabilities. (Keynes, 1980A, p. 44)

The necessary equilibrium can be defined as the absence of bancor credit or debit on the national central bank's account at the International Clearing Bank. The scheme organises a set of incentives—based on interest charged on debtors as well as creditors—to reach international equilibrium. According to Keynes, 'if the purpose of the overdraft facilities is mainly to give time for adjustments, we have to make sure, so far as possible, that they will be made. We must have, therefore, some rules and some machinery to secure that equilibrium is restored'. (Horsefield, 1969, p. 28). The most well known rule concerns the imposition of fines on bancor balances:

> A member State shall pay to the Reserve Fund of the Clearing Union a charge of 1 per cent, per annum on the amount of its average balance in bancor, whether it is a credit or a debit balance, in excess of a quarter of its quota; and a further charge of 1 per cent, on its average balance, whether credit or debit, in excess of a half of its quota. Thus, only a country which keeps as nearly as possible in a state of international balance on the average of the year will escape this contribution. (Horsefield, 1969, p. 23)

The quota mentioned in the plan was a percentage (75%) of the sum of exports and imports on average in the three pre-war years (Horsefield, 1969, p. 22). The fines are payable in bancor, i.e. by a process of adjusting account entries. The Keynes Plan involved the removal of the gold standard as the means of regulating the international economy, taking as its model the modern banking system.[13]

4. The Clearing Union under the Balogh/Schumacher/Kalecki scheme

As a preliminary remark, a distinction should be made between the BSK criticisms of the Keynes Plan (7 April 1943) and those directed against the US–UK Joint Statement (21 April 1944). This section focuses on the criticisms of the Keynes Plan. The US–UK Joint Statement was the result of negotiations between the US and the UK delegations,

[13] The British plan, nevertheless, kept an official role for gold since the bancor is defined in terms of a weight of gold (Horsefield, 1969, p. 30). Schumacher (1943B, p. 27) also criticised this point: 'It may be felt that the time has come when the world can make better use of its scarce productive resources than to devote annually $1,500 million of its real wealth to the laborious production of a monetary token'. This point, however, seems of secondary importance in BSK's criticism as the British plan broadly criticised the gold standard and endeavoured to avoid a return to gold and its classical deflationary mechanisms of adjustment.

and it reflected to a much greater degree the position of the USA. In addressing the 1944 Joint Statement, BSK replicated the same criticisms they had directed against the Keynes Plan in 1943 but phrased more forcefully.

When they reviewed the two proposals in a special issue of the *Oxford Bulletin*, BSK expressed a clear preference for the British plan (Kalecki and Schumacher, 1943; Schumacher, 1943B). They considered that the US plan was nothing more than a return to the old-fashioned gold exchange standard but in a new form. As Schumacher summarises: 'It adds nothing to the present position' and 'does not seem to offer a workable system' (Schumacher, 1943B, p. 28). Furthermore, the US plan did not provide a long-term mechanism to protect the world economy from a liquidity shortage.

While supporting the establishment of Keynes' International Clearing Union, BSK, nevertheless, criticised several aspects of its institutional design. They emphasised the primary objective of full employment, which needs an institutional infrastructure that was lacking in the Keynes Plan. They also found some of its rules erroneous, which could result in its failure to reach its objective.

4.1 The creation of an expansionary international machinery

Kalecki and Schumacher were opposed to charging interest on surplus countries as well as deficit countries on the ground that it is equivalent to a tax on international trade. Such a rule could result in a deflationary adjustment in the surplus country, with a slump in its exports rather than an increase in its imports. Kalecki and Schumacher argued that the machinery aimed at creating international equilibrium—such as the International Clearing Union in the Keynes Plan—could be restrictive in two ways: 'by inducing the surplus countries to ration their exports and by inducing the deficit countries to ration their imports' (Kalecki & Schumacher, 1943, p. 29).

The accumulation of bancors by surplus countries should, therefore, not be prevented by any limitation inasmuch as deficit countries can benefit from international loans to enable increased imports. The accumulation of a surplus should even be rewarded by a small amount of interest. This situation could be achieved by an amendment to the Keynes Plan and the creation of an International Investment Board alongside the International Clearing Office (the supranational institution at the top of this global clearing scheme). Thus, the BSK proposal combines clearing and lending functions.

Their rejection of tax on surpluses goes together with their rejection of the concept of equilibrium. The above-mentioned 'bancor equilibrium' targeted in the Keynes Plan refers to the short-term capital account as a counterpart for current account transactions. However, the equilibrium of this account does not mean that the long-term capital account is necessarily balanced. Keynes' proposal is not clear on this aspect as to whether long-term capital flows are assumed to be balanced or non-existent (Schumacher, 1943B, p. 11; see also Toporowski, 2018). The fact that Keynes assumed the continuation of wartime capital controls meant that he did not provide any information concerning the capital account. Should it be equilibrated? Should the international investments be non-existent? Capital controls hardly mean the absence of international capital flows. As the USA was likely to be the leading creditor country in the post-war world, Keynes (1980A, p. 206) wrote that the Americans were expected to 'take the initiative over international investment'. As a result, the proposals for an

International Clearing Union did not include any explicit provision related to international investment and long-term lending.[14]

Kalecki and Schumacher (1943) expressed the need for a precise exploration of the concept of 'international equilibrium' and its implications. They also contested the actual target of international equilibrium itself:

> There is no merit in a general policy aiming at *Current account equilibrium* for all countries, because different countries are at different stages of economic development, and a regular flow of investment from the more highly developed to the more backward regions of the world may redound to the benefit of all. (Kalecki and Schumacher, 1943, p. 29)

The various degrees of industrial development generate different external positions. Developing countries should be able to allow the inflow of long-term capital, while the developed countries should be able to lend their capital. Surpluses should, therefore, be tolerated as they may be a driver of development: 'At the present stage of world development any discouragement of surpluses would only slow down the advancement of under-developed regions' (Kalecki & Schumacher, 1943, p. 31).

Nonetheless, the authors recognised that a proposal authorising large deficits may invite abuses and thus raise new issues. In the absence of any sanction against current account deficit, the countries recording deficits may encourage imports at the expense of domestic output, with the help of competitive appreciations, which are 'as undesirable as competitive devaluations' (Kalecki & Schumacher, 1943, p. 30). To address this risk, the BSK plan assumes that a specific mechanism would have to be applied to the countries receiving credits once they record deficits above pre-defined thresholds.

4.2 The financing of developing countries and the two-step method of readjustment

The system of quotas in the Keynes Plan still plays a role in the scheme of Kalecki and Schumacher. The quota is reduced from 75% (in the Keynes Plan) to 50% of the sum of average export and imports during the three pre-war years. Once a country records a deficit above one quarter of its quota at the International Clearing Office, the IIB comes on stage and decides to grant long-term loans. A further sub-division should be made to target more accurately the needs of the countries recording an external deficit. The nations that record bancor deficits would be divided into '(a) deficit countries in the course of industrialization, reconstruction, or readjustment (A countries); (b) countries whose deficit in the current balance of payment is due to other reasons (B countries)' (Kalecki and Schumacher, 1943, p. 31).

The IIB advances long-term loans of newly-created bancors at an interest rate of 3% per annum to the countries rated 'A'. Note that all the deficit countries are presumably 'A' countries at the beginning of the working period of these newly-created institutions. The loan is firstly credited on the 'investment account' of the borrowing country at the IIB. Then this account is debited while the normal account of the country at the International Clearing Union is credited by the same amount. The borrowing country is allowed to spend the bancors through the Clearing Union, which debits the account of the importing country and credits the account of exporting countries. The

[14] The Keynes Plan only mentions (Section 7, art. 36) that international medium-term and long-term lending should be dealt with by another, newly created, institution (Horsefield, 1969, p. 32).

borrowing country is expected to develop its industry, catch up with advanced economies, and obtain resources to reimburse the IIB for the loan.

The reimbursement is made through two payments. Amortisation payments are debited from the normal account and credited on the 'investment account' at the IIB. The interest payments are debited from the normal account of the borrowing country, and credited to the normal account of the creditor countries. Hence, the true lenders of the long-term loan are *ultimately* the creditor countries. The creditor countries are rewarded by earning interests 'proportionately to their average credit balances in the Clearing during the year' (Kalecki and Schumacher, 1943, p. 31).

The scheme aims at helping A countries to catch up with industrialised countries. Despite these loans, however, if some countries exhaust their quotas, they will be treated as B countries—that is, countries 'whose deficit in the Clearing Account is not due to industrialization' (Kalecki and Schumacher, 1943, p. 31).

The deficit of B countries could be reabsorbed by means of the implementation of extraordinary discriminatory measures: 'The Board should have the power to direct borrowers receiving development loans to use them fully or partly for increasing their imports from specified "B" countries' (Kalecki and Schumacher, 1943, p. 32). Hence, B countries would benefit from preferential treatment and a mutually advantageous regional integration. Two countries experiencing large deficits vis-à-vis a third (surplus) country should implement tariffs, exchange controls, and trade discrimination toward the surplus country. Meanwhile, they should develop mutual trade through a regional trade area as long as their situation prevents a long-term balanced current account vis-à-vis the surplus country.

4.3 The discussion on the international monetary unit obscures the fundamental issue of restoring international liquidity

BSK's analysis was focused on developing international long-term lending and preserving full employment policies, whereas the creation of an international monetary unit was of secondary importance for them. Schumacher believed that the international economy was an economy of exchange, while the national economy was a monetary economy of production (Schumacher, 1943B, p. 16). The objective of international monetary reform, therefore, was to create a proper way of *coordinating* the national economies in order to preserve their capacity to enforce domestic full-employment policies.[15] In his *Multilateral Clearing* article of May 1943, Schumacher proposed that all member countries of the agreement should be connected through their respective National Clearing Fund. The National Clearing Funds would buy or sell a share of the International Pool depending on their debit/credit position in such a way that all the surplus countries are made 'the joint owners of the balances in all the deficit countries' (Schumacher, 1943A, p. 154). As Schumacher (1943A, p. 153) wrote, '[i]t will be clear that the International Clearing Office requires no finance of its own, nor does it have to create a new international currency'. He also notes:

> If a new international currency were created, this would be of no economic significance. The holding of 'a share in the Pool' would then be called a holding of 'world currency', but the

[15] Keynes recognised this as he once wrote that the task was 'to discover some orderly, yet elastic method of linking national currencies to an international currency, whatever the type of international currency may be' (Keynes, 1980B, p. 39).

backing of the world currency would none the less be nothing else but the cash balances in the deficit countries. (Schumacher, 1943A, p. 153)

In the significant contributions he made a few months later (August 1943) in the supplement to the Oxford Institute's *Bulletin*, Schumacher accepted for convenience the creation of an international monetary unit such as the bancor. He cautioned, however, that the creation of an international currency unit should not create any illusion:

The creation of bancor quotas [...] costs nothing; consequently, it produces no new incomes and no new spending. It cannot 'turn a stone into bread'. (Schumacher, 1943B, p. 17)

The bancor does not create anything *in and of itself*. Its sole purpose is to avoid any deflationary bias by preventing liquidity shortage and making possible the international trade which otherwise would not take place (Schumacher & Balogh, 1944, p. 84). As Schumacher emphasised, '[t]he British Plan may, in fact, lead to an expansion of effective demand throughout the world; but it would do so, not by virtue of having provided a new instrument for its creation, but by virtue of the fact that it restores (initially) the international liquidity of all countries' (Schumacher, 1943B, p. 16). This means that the most important aspect of the international monetary reform does not lie in the creation of a new currency but rather in overcoming the structural issues in international payment that lead to a fall in world trade. In terms of its purpose, it recalls the policy of bilateral clearing agreements implemented by the Reichsminister of Economics, Hjalmar Schacht, in 1930s Germany, which did not involve any new currency unit with Germany's trade partners but still ensured the continuity of trade. Through the coordination between national clearing offices, the clearing agreements of the 1930s not only changed the organisation of international trade but, above all, they made such trade possible. As stated above, Schumacher became well acquainted with these agreements when he was working in Berlin for the syndicate of foreign firms in 1935–36. In 1942, Schumacher praised these clearing agreements and suggested that their implementation on a universal scale could partly solve the balance of payments problems.[16]

4.4 Currency convertibility, discrimination and exchange controls

In 1942, Keynes argued that under the bancor scheme national central banks should have the monopoly over foreign exchange transactions (Horsefield, 1969, p. 33). It would involve the machinery of record-keeping and control. The Keynes Plan even recommended that it would be 'of great advantage if the United States, as well as other members of the Clearing Union, would adopt machinery similar to that which the British Exchange Control has now gone a long way towards perfecting'. However, this was expressed in a tentative way, and followed by the statement that 'the universal establishment of a control of capital movements cannot be regarded as essential to the operation of the Clearing Union; and the method and degree of such control should therefore be left to the decision of each member State' (Horsefield, 1969, p. 31).

[16] 'Let the importing country pay for its imports in some form of blocked currency which the exporting country can use only for buying the goods and services of the former. Then the transfer aspect of the Balance of Payment problem as between these two countries is solved. If similar agreements are concluded with all countries, then this side of the Balance of Payments problem is solved altogether' (Schumacher, 1942, p. 240).

The USA, by contrast, unequivocally called for the dismantlement of the trade and payment barriers within and outside the sterling area. As Helleiner (2015, p. 419) emphasises, the US delegation quickly rejected exchange controls.[17] In the Joint Statement, the only provision that left open the possibility of exchange controls in case of emergency was the 'apportionment of scarce currency', which, after consultation with the Fund, 'authorizes a member temporarily to restrict exchange operations in the affected currency' (Horsefield, 1969, p. 134). Once the UK delegation accepted the preliminary agreement with the USA, Keynes had to support a text which made significant concessions (Balogh, 1976). One of the stipulations of the April 1944 Joint statement (article IX) made the following requirement:

> Not to impose restrictions on payments for current international transactions with other member countries (other than those involving capital transfers or in accordance with VI, above) or to engage in any discriminatory currency arrangements or multiple currency practices without the approval of the Fund. (Horsefield, 1969, p. 135)

The three Oxford Institute scholars conversely insisted on the necessity of applying exchange controls. The first reason, emphasised mainly by Schumacher, was that *the Clearing Union needed exchange controls in order to carry out international compensation*. Schumacher had already pointed out in 1943 that regrettably the British Treasury plan did not mention explicitly the necessity of establishing controls to function as record-keeping machinery and as a policy instrument to 'leave the accumulation of bancor credits and debits as the sole vehicle of net short-term lending' (Schumacher, 1943B, p. 12). Hence, Schumacher alluded to the practical necessity for a machinery of controls that should be in place behind any clearing scheme, at least 'simply for want of a reliable indicator of disequilibrium'. According to Schumacher (1943B, p. 12), the British proposals 'do not fully face this issue'.[18]

The second reason was discussed at length by the three authors, especially after the release of the Joint-Statement. According to BSK, the combination of openness—i.e., general current account convertibility—and uncertainty regarding international credit facilities would inevitably result in instability, and hasty, incompletely prepared exchange controls as well as deflationary policies in the Western world (Schumacher & Balogh, 1944, p. 92). A few days after the publication of the Joint-Statement, Balogh and Schumacher (1944, p. 86) published a comment in the *Bulletin* arguing: 'This scheme provides no certain credit facilities for large surpluses and at the same time outlaws "discrimination"'.

In practice, according to BSK, exchange controls enable the central bank to control international trade flows and could have the advantage of facilitating international readjustment by means of the above-mentioned 'expansionary' discrimination. Keynes accused Balogh and Schumacher of being 'Schachtian' because of their support for exchange controls (Keynes, 1980B, p. 9; Morris, 2007, p. 55). But this description seems misjudged since their short-term priority was the preservation of full-employment policies, and their long-term goal was 'free access to trade' through multilateralism.[19]

[17] The American plan aimed to reduce the necessity and use of exchange controls, considering that 'foreign exchange controls usually constitute an interference with trade and capital flows' (Horsefield, 1969, p. 47).

[18] In a review article, John Williamson also noticed this point (Williamson, 1981, p. 542–543). See also Moggridge (1986).

[19] 'Free access to trade' was the title of Schumacher's draft paper circulating in 1942.

BSK championed exchange controls and the planned reorganisation of international trade to function primarily as servants of full-employment policies. They had already produced several papers in this vein. For instance, Kalecki considered that foreign exchange restrictions were a necessary measure for implementing Keynesianism 'in one country', as exemplified by France during the *Front Populaire* experience of 1936–37: 'In order, however, to go forward with the stimulating of production by budgetary deficit, the Blum Government needed a basis which they failed to secure from the very beginning: the exchange restrictions' (Kalecki, 1938, p. 39).

Schumacher (1945A, pp. 96–97) argued that the 'perfectly sound argument for more international trade has become mixed up—as is unfortunately so frequently the case—with a highly questionable argument for the removal of controls'. He also anticipated the need for maintaining the sterling bloc (Schumacher, 1945B).

Balogh repeatedly promoted exchange controls, arguing that they were necessary for the UK to be able to prepare for the war adequately, and that the UK would have to maintain them during the reconstruction period. American economists opposed such a radical position, as is not surprising given their different economic circumstances and background. The following explanation by Balogh is worth quoting:

> The United States (and to some extent Canada) have in the last decades been not merely surplus countries but (apart from a short period in 1933) also the recipients of vast capital imports. Britain has been liquidating her foreign investments since 1930, and will emerge from this war almost a net debtor nation, quite apart from the fact that her current balance of trade will need substantial readjustment. Most European countries will be pauperised and in dire need of foreign help. This vast difference in economic background necessarily imprints itself on economic thinking, which is subject to influences emanating from contemporary problems. [...] Progressive U.S. economists such as Professor Viner condemn exchange control as a reactionary measure, thinking of the Nazi New Order, because, given the U.S. position, the problem of the foreign balance does not influence, much less determine, internal social policies in the U.S. They are utterly uncomprehending when a European economist points out that exchange control is—barring international agreements on the lines suggested—the *conditio sine qua non* of progressive internal policies. They do not see that by their attitude they help the very reactionaries in Europe whom they oppose at home. (Balogh, 1943B, pp. 346–47)

The particular version of multilateralism that BSK opposed was that which takes for granted currency convertibility and non-discriminatory trade (Schumacher & Balogh, 1944, pp. 91–92). The US policy makers largely shared this liberal stance (Newton, 1984, pp. 392–93); however, it was completely disconnected from the realities of post-war Europe. In order to reconcile full-employment policies with open economies, BSK also had a preference for exchange controls rather than devaluation or market adjustment mechanisms, due to the potential effects of the latter on workers. This was a product of the political dissent between Keynes and the three Oxford economists, the latter being on the left of the political spectrum. Balogh and Schumacher were members of and advisers to the Labour Party, and Kalecki was a socialist. Liberals—as Keynes was at the end of his life—had a preference for devaluation and eventually considered that sterling inconvertibility could only be temporary (see, e.g. Keynes' harsh reply to Balogh in 1944, Keynes, 1980B, p. 9).

Balogh made an early denouncement of the contradictions inherent in the Bretton Woods agreement and the scheduled restoration of the free convertibility of currencies:

> As long, however, as Britain is threatened with a restoration of free convertibility of sterling balances alluded to in Annex VII (iii), and which would be the necessary consequence of the

acceptance of the Bretton Woods agreement after a relatively short transitional period, Britain will have to restrict her purchases in order to procure as much international liquid means of payment as possible, in anticipation of the restoration of convertibility. (Balogh, 1945, p. 141)

Thus, he claimed that Britain would eventually be constrained to revert to trade restrictions as well as austerity measures, as proved true. Balogh's opposition to Britain's rallying behind the Joint Statement went as far as the House of Commons (10 May 1944), where Keynes was reproved by Labour Members of Parliament—briefed by Balogh and Nicholas Kaldor (Morris, 2007, pp. 55–56)—in statements that were very hostile towards the agreement with the US.[20]

Schumacher and Balogh's prophecy came true soon after the war: after 1947 the Bretton Woods agenda was overturned. The Anglo-American Financial and Commercial Agreement (December 1945) precipitated the decision to restore sterling convertibility no later than one year after the effective date of the Bretton Woods agreement. The five-week convertibility crisis in the summer of 1947 proved that the UK was unable to fulfil its commitment to restore convertibility—like the rest of war-torn Europe. As a result, Western Europe had no choice but to resort to exchange controls and clearing arrangements. The regional clearing integration process embodied by the European Payments Union (EPU) also supported BSK's view. Balogh hailed the Marshall Plan and the EPU, not only because this entailed the necessary reinvestment of US surpluses in war-torn Europe, but also because this recognised the need for Europe to be a discriminatory trade bloc. The Bretton Woods system would come into effect only as of 1958 with the reestablishment of Western European currencies' convertibility.

5. Concluding remarks

This paper sheds light on the criticisms made by Balogh, Schumacher and Kalecki (BSK) against the Keynes plan and the British position at Bretton Woods. The three refugee economists in Britain during the late 1930s and the Second World War developed a plan in the spirit of Keynes aiming at full employment as well as the growth of international trade. In a sense, they wanted to take Keynesian principles to their logical conclusion. The priority of full employment led them to praise exchange controls and a relatively high degree of international economic planning over international trade. The proposals also tackled the issue of developing countries' industrialisation and their need for long-term investments through an international institution—the International Investment Board. In so doing so, BSK addressed several shortcomings of the official British position.

BSK's criticisms shed light on the issue in international monetary reform of how to ensure accuracy in international adjustments, and the degree of economic planning necessary to reconcile both international integration and full employment policies. It would be an understatement to claim that the problem of the unsatisfactory state of the international monetary system remains unsolved. International monetary reform has been consistently highlighted as a priority issue for post-Keynesian scholars, and the BSK's proposals deserve to be rediscovered.

[20] Keynes was sitting in the Peers' Gallery in the House of Commons and confessed that he was 'lacerated in mind and body' by the speeches (Keynes, 1980B, p. 3).

Finally, this research has provided an assessment of the evolution of Britain's position on post-war monetary order, and the ambiguities—not to mention the contradictions—of Keynes' work on international monetary reform. Keynes was influenced by the German policy of clearing agreements at the outbreak of the war; he gradually departed from this influence as he negotiated the post-war order at Bretton Woods. His position evolved from one of promoting a project of radical reform to one of compromise with the US delegation. This created growing discontent amongst scholars from radical Keynesian circles, who became even more critical once Keynes rallied behind the 1944 Joint Statement. To grasp the original spirit of the Keynes Plan, it is helpful to become acquainted with the pleas of the three economists from Oxford. This article has striven to take a step in that direction.

Bibliography

Amato, M. and Fantacci, L. 2014. Back to which Bretton Woods? Liquidity and clearing as alternative principles for reforming international money, *Cambridge Journal of Economics*, vol. 38, no. 6, 1431–52

Balogh, T. 1930. The import of gold into France: an analysis of the technical position, *The Economic Journal*, vol. 40, no. 159, 442–60

Balogh, T. 1938. The national economy of Germany, *The Economic Journal*, vol. 48, no. 191, 461–97

Balogh, T. 1940. The new order in foreign exchange control, *Bulletin of the Oxford University Institute of Economics & Statistics*, vol. 2, no. 6, 12–14

Balogh, T. 1943A. The foreign balance and full employment, *Bulletin of the Oxford University Institute of Economics & Statistics*, vol. 5, no. 5, 33–40

Balogh, T. 1943B. The currency plans and international economic relations, *The Political Quarterly*, vol. 14, no. 4, 343–56

Balogh, T. 1945. New monetary agreements, *Bulletin of the Oxford University Institute of Economics & Statistics*, vol. 7, no. 8, 138–45

Balogh, T. 1960. International reserves and liquidity, *The Economic Journal*, vol. 70, no. 278, 357–77

Balogh, T. 1970. Old fallacies and new remedies: the SDRs in perspective, *Bulletin of the Oxford University Institute of Economics & Statistics*, vol. 32, no. 2, 81–98

Balogh, T. 1976. Keynes and the International Monetary Fund, pp. 60–89 in Thirlwall, A. (ed.), *Keynes and International Monetary Relations*, New York, St Martin's Press

Balogh, T. and Schumacher, E. F. 1949. The proposals for post-War international currency and investment, pp. 201–25 in Balogh, T. (ed.), *The Dollar Crisis: Causes and Cure*, Oxford, Basil Blackwell

BIS. 1942. *Annual Report*, Basel, Bank for International Settlements

Burchardt, F. A., Kalecki, M., Worswick, G. D. N., Schumacher, E. F., Balogh, T. and Mendelbaum, K. 1944. *The Economics of Full Employment: Six Studies in Applied Economics*, Oxford, Blackwell

D'Arista, J. 2004. Dollars, debt, and dependence: the case for international monetary reform, *Journal of Post Keynesian Economics*, vol. 26, no. 4, 557–72

Davidson, P. 1992. Reforming the world's money, *Journal of Post Keynesian Economics*, vol. 15, no. 2, 153–79

De Cecco, M. 1979. Origins of the post-war payments system, *Cambridge Journal of Economics*, vol. 3, no. 1, 49–61

Ellis, H. 1941. *Exchange Control in Central Europe*, Cambridge, Harvard University Press

Graham, A. 1992. Thomas Balogh (1905–1985), *Contemporary Record*, vol. 6, no. 1, 194–207

Hagemann, H. 2007. German-speaking economists in British exile 1933–1945, *Quarterly Review-Banca Nazionale del Lavoro*, vol. 60, no. 242, 323–63

Harris, S. E. 1947. *The New Economics. Keynes' Influence on Theory and Public Policy*, London, Dennis Dobson Ltd

Helleiner, E. 2015. Controlling capital flows “at both ends”: A neglected (but newly relevant) Keynesian innovation from Bretton Woods, *Challenge*, vol. 58, no. 5, 413–27
Horsefield, J. K. 1969. *The International Monetary Fund 1945–1965: Twenty Years of International Monetary Cooperation. Vol. 3: Documents*, Washington DC, International Monetary Fund
Iwamoto, T. 1997. The Keynes plan for an international clearing union reconsidered, *The Kyoto University Economic Review*, vol. 65, no. 2, 27–42
Kalecki, M. 1938. The lesson of the Blum experiment, *The Economic Journal*, vol. 48, no. 189, 26
Kalecki, M. 1943. Political aspects of full employment, *The Political Quarterly*, vol. 14, no. 4, 322–30
Kalecki, M. 1946. Multilateralism and full employment, *Canadian Journal of Economics and Political Science*, vol. 12, no. 3, 322–27
Kalecki, M. 1955. The problem of financing of economic development, *Indian Economic Review*, vol. 2, no. 3, 1–22
Kalecki, M. and Schumacher, E. F. 1943. New plans for international trade: international clearing and long-term lending, *Bulletin of the Oxford University Institute of Economics & Statistics*, vol. 5, no. 5, 29–32
Keynes, J. M. 1940. *How to Pay for the War: A Radical Plan for the Chancellor of the Exchequer*, London, Macmillan
Keynes, J. M. 1978. Vol. XXII: activities 1939–1945. Internal War Finance, in Moggridge, D. E., (ed.), *The Collected Writings of John Maynard Keynes*, London and Basingstoke, The Macmillan Press
Keynes, J. M. 1980A. Vol. XXV: activities 1940–1944. Shaping the Post-War world: the clearing union, in Moggridge, D. E., (ed.), *The Collected Writings of John Maynard Keynes*, London and Basingstoke, The Macmillan Press
Keynes, J. M. 1980B. Vol. XXVI: activities 1941–1946. Shaping the Post-War world: Bretton Woods and Reparations, in Moggridge, D. E. (ed.), *The Collected Writings of John Maynard Keynes*, London and Basingstoke, The Macmillan Press
Kindleberger, C. 1943. International monetary stabilization, pp. 375–95 in Harris, S. (ed.), *Post-War Economic Problems*, New York, McGraw Hill
Kindleberger, C. 1950. International disequilibrium. National and international measures for full employment: report by a group of experts appointed by the Secretary-General. The dollar crisis, causes and cure: a report to the Fabian Society by T. Balogh, *The Canadian Journal of Economics and Political Science / Revue canadienne d’Economique et de Science politique*, vol. 16, no. 4, 529–37
Kindleberger, C. 1984. *A Financial History of Western Europe*, London, George Allen & Unwin
Lamoreaux, N. R. and Shapiro, I. (eds.). 2019. *The Bretton Woods Agreements: Together with Scholarly Commentaries and Essential Historical Documents*, New Haven, Yale University Press
Leonard, R. 2018. Keynes and the making of E.F. Schumacher, 1929–1977, Duke Workshop, Center for the History of Political Economy, November 30. Available at: https://hope.econ.duke.edu/node/1521 [Accessed 5 January 2021]
Leonard, R. 2019. E.F. Schumacher and the making of “Buddhist Economics,” 1950–1973, *Journal of the History of Economic Thought*, vol. 41, no. 2, 159–86
Marcuzzo, M. C. and Rosselli, A. 2005. *Economists in Cambridge: A Study Through Their Correspondence, 1907–1946*, London, Routledge
Mikesell, R. 1954. *Foreign Exchange in the Post-War World*, New York, The Twentieth Century Fund
Mikesell, R. 1994. *The Bretton Woods Debates: A Memoir, Essays in International Finance, no. 192*, Princeton, Department of Economics, Princeton University
Moggridge, D. E. 1986. Keynes and the international monetary system 1909–46, pp. 56–83 in Cohen, J. and Harcourt, G. (eds.), *International Monetary Problems and Supply-Side Economics*, London, Palgrave Macmillan
Moggridge, D. E. 1992. *Maynard Keynes : An Economist’s Biography*, London, Routledge
Moggridge, D. E. 2017. John Maynard Keynes (1883–1946), pp. 513–40 in Cord, R. (ed.), *The Palgrave Companion to Cambridge Economics*, London, Palgrave Macmillan
Morris, J. 2007. *The Life and Times of Thomas Balogh: A Macaw Among Mandarins,* Brighton, Sussex Academic Press

Newton, S. 1984. The sterling crisis of 1947 and the British response to the Marshall plan, *Economic History Review*, vol. 37, no. 3, 391–408
Ocampo, J. A. 2017. *Resetting the International Monetary (Non)System*, Oxford, Oxford University Press
Roselli, A. 2014. *Money and Trade Wars in Interwar Europe*, London, Palgrave Macmillan
Rossi, S. 2007. The monetary-policy relevance of an international settlement institution: the Keynes plan 60 years later, pp. 112–30 in Marcuzzo, M. C. and Giacomin, A. (eds.), *Money and Markets. A Doctrinal Approach*, London, Routledge
Schumacher, E. F. 1942. United States foreign trade policy, *Agenda*, vol. 1, 234–48
Schumacher, E. F. 1943A. Multilateral clearing, *Economica*, vol. 10, no. 38, 150–65
Schumacher, E. F. 1943B. The new currency plans, *Bulletin of the Oxford University Institute of Economics & Statistics*, vol. 5, no. 5, 8–28
Schumacher, E. F. 1943C. Compensación multilateral, *El Trimestre Económico*, vol. 10, no. 39, 489–513
Schumacher, E. F. 1945A. Review of the common interest in international economic organisation, by J.B. Condliffe and building peace out of war, by A. Stevenson, *The Economic Journal*, vol. 55, no. 217, 96–98
Schumacher, E. F. 1945B. Anglo-Egyptian currency relations, *Bulletin of the Oxford University Institute of Economics & Statistics*, vol. 7, no. 2, 30–36
Schumacher, E. F. and Balogh, T. 1944. An international monetary fund, *Bulletin of the Oxford University Institute of Economics & Statistics*, vol. 6, no. 6, 81–93
Skidelsky, R. 2000. *John Maynard Keynes. Vol. 3: Fighting for Freedom, 1937–1946*, London, Macmillan Publishers
Toporowski, J. 2013. *Michał Kalecki: An Intellectual Biography. Vol. 1: Rendezvous in Cambridge*, London, Palgrave Macmillan
Toporowski, J. 2018A. *Michal Kalecki: An Intellectual Biography. Vol. 2: By Intellect Alone, 1939–1970*, Basingstoke, Palgrave Macmillan
Toporowski, J. 2018B. Multilateralism and regional trade and payments, pp. 13–22 in Levy, N. and Bustamante, J. (eds.), *Financialisation in Latin America: Challenges of the Export-Led Growth Model*, London, Routledge
Toye, J. 2011. The world improvement plans of Fritz Schumacher, *Cambridge Journal of Economics*, vol. 36, no. 2, 387–403
Williamson, J. 1981. Review of the collected writings of john maynard keynes, Volume XXV and Volume XXVI, Moggridge, D.E. (ed.), *The Economic Journal*, vol. 91, no. 362, 541–44
Wood, B. 1984. *E.F. Schumacher. His Life and Thought*, New York, Harper & Row
Worswick, G. D. N. 1977. Kalecki at Oxford, 1940–44, *Oxford Bulletin of Economics and Statistics*, vol. 39, no. 1, 19–29
Young, W. and Lee, F. 1993. *Oxford Economics and Oxford Economists*, London, The Macmillan Press

Appendix

A1 Important dates

1940

- February: Kalecki starts working in Oxford
- February: Balogh starts working in Oxford
- 29 April: Keynes' draft memorandum 'Exchange control and exchange policy'
- 25 July: Walther Funk's Plan for a 'new European economic order' released
- November: Lord Halifax requests Keynes to think about a reply to Funk's plan

1941

- 8 September: First draft of the Keynes Plan
- 16 September: Schumacher draft plan sent to Keynes

- 18 November: Second draft of the Keynes Plan ('Grammor plan')
- 15 December: Third draft of the Keynes Plan ('Bancor plan')

1942

- 11 February: Fourth draft of the Keynes Plan
- March: 'Free Access to Trade', Schumacher's unpublished paper circulating in the Royal Institute of International Affairs
- March: Schumacher starts working in Oxford

1943

- 6 April: Publication of the US Treasury White Paper
- 7 April: Publication of the British 'Proposal for an International Clearing Union' as a white paper
- May: Publication of 'Multilateral Clearing' by E.F. Schumacher in *Economica*
- 7 August: Publication of *New Plans for International Trade* as a special issue of the *Bulletin of the Oxford University Institute*, by Balogh, Schumacher and Kalecki
- October: Publication of 'The Currency Plans and International Economic Relations' by T. Balogh in *The Political Quarterly*

1944

- 21 April: Publication of the US-UK Joint Statement
- 29 April: Publication of 'An International Monetary Fund', by E.F. Schumacher and T. Balogh
- 23 May: Hansard, House of Lords, speech of J.M. Keynes
- August: 'The proposals for post-war international currency and investment', by T. Balogh and E.F. Schumacher for the Parliamentary Monetary Policy Committee, reprinted in Balogh & Schumacher (1949)
- October: Publication of *The Economics of Full Employment* by the economists of the Oxford Institute