Drew University

Thesis

Andrew Long

Professor Carter

HIST 583

5/13/2024

Andrew Long
Professor Carter
HIST 583
5/13/2024

Forging a New World Order

Following the end of the First World War, the global economy lay in shambles. Europe, through its centuries-long practice of interconnected markets, had self-destructed. Britain, the financial heart of the Western World, sunk deep into debt. This collapse of world-wide economic security, led to a global depression that set the stage for a Second World War. The rise of nationalism, lack of international cooperation, and trade disputes derailed attempts to dismiss and remove nationalist rhetoric. As that global war began to wind down, economists and politicians gathered in the White Mountains of New Hampshire for a major conference aimed at ensuring that the peace time of the current war would not mimic the failings of the past.

Scholars of Bretton Woods often focus on the viewpoints of John Maynard Keynes and Harry Dexter White, both important participants at the conference. The details and development of the Bretton Woods System largely remain ignored. My own research shows that the construction of Bretton Woods did not take shape overnight. Rather, its earliest concept lies within New Deal policies aimed at the Inter-American bank program. Despite opposition at home from large American organizations, Bretton Woods would be ratified within Congress and initially gave hope to a post-war world.[1] Past attempts to unify nations under a centralized method of lending and providing financial support, clashed with issues of nationalism. Bretton Woods was not the first attempt at creating peace through economic prosperity. Failed

[1] Files from Richard B. Brenner Papers, "Materials on Bankers," Bretton Woods Conference Collection, International Monetary Fund Archives, Washington, D.C., Box 1-6, 1945.

negotiations during the 1920s and the disaster of the London Conference of 1933 lay firmly at the feet of competing nationalist interests. My aim in this thesis is to show the importance of national cooperation in securing a stable world. The creators of the Bretton Woods system never anticipated the emergence of the equally global Cold War. The fact that the latter both overwhelmed and contradicted the former in important ways has not yet been sufficiently understood. The unfortunate truth remains, however, that the world order that Roosevelt and the supporters of Bretton Woods sought to create had been largely sabotaged by negligence and a Cold War debacle that the creators of Bretton Woods had not and could not have foreseen.

The following is made up of three chapters. The first, chapter examines the collapse and ultimate destruction of the old economic system of the 20th century. The second chapter will examine the construction of Bretton Woods and the transfer of economic authority from Britain to that of the United States. The final chapter examines Bretton Woods itself and how the Cold War effectively strangled Harry Dexter White's plan before it could fully live within the global community.

The collapse of the old system began with a gunshot in the city of Sarajevo in 1914. The death of Archduke Ferdinand rattled the war machines of Europe. Britain, France, Russia, Germany, Austria-Hungary, and the Ottoman Empires would unknowingly doom their colonial ambitions as they began to deploy their armies. For decades, Europe's economic system relied on the cooperation and support of neighboring nations to keep their own infrastructure both functional and thriving. By 1914, Europe's wealth and investiture had survived off shared financial interests and partnerships between its fellows.[2] For over fifty years by this period, the

[2] Liaquat Ahamed,. *Lords of Finance: The Bankers Who Broke the World*. (United Kingdom: Penguin Press, 2009), 73-77; Barry J. Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919-1939*. (United Kingdom: Oxford University Press, 1996), 63-67.

conflict between rival powers remained largely controlled and tame in comparison to the 1600s and 1700s. Even Germany and France, whose relations had been icy since 1870, had French businesses dealing in private investments within Germany, and vice versa.[3] For these European empires, war among them obviously undermined these relationships. To these empires, the focus they held for decades by 1914 had been controlling and expanding their colonial powers.[4]

In early August 1914, an economic crisis shook Europe. Within days, Britain, Graman, French, and America, among other nations, noticed sharp changes in their markets. In Britain and Germany, runs on the bank forced tellers to close, and city blocks filled with worried citizens. Britain managed to stay the calm, but in Germany, several financiers and bankers began to commit suicide as they saw the writing on the wall. In America a gathering of bankers met in New York. Benjamin Strong, a prominent New York banker, attended a meeting with Treasury Secretary William McAdoo, who announced that over 100 million dollars' worth of cash was to be issued, to meet this public cash crisis in America. In other nations the crisis became far more alarming behind closed doors.[5]

In the White House, opinions on what to do were divided into two broad camps. McAdoo argued that America needed to stand in and protect France and Europe, claiming that to not support the Entente forces would spell disaster for the US economy. American firms such as Morgan and DuPont were already invested in the British and French war effort in 1914, and Robert Lansing warned that a German victory would have the effect of "…the turning back of

---

[3] Karl Polanyi. *The Great Transformation: The Political and Economic Origins of Our Time*. (United Kingdom: Beacon Press, 2001), 11-14.

[4] Polanyi. *The Great Transformation, 11-14.*

[5] Ahamed. *Lords of Finance,* 2009. 57-60.

hands of human progress two centuries," creating a tense situation for American foreign policy makers. Wilson hoped that by staying neutral he could oversee the framework for a new era of progressivism to take place. Unfortunately, Wilson had little concrete plan on how to oversee the implementation of his ideas. Thus began the death rattle of the old economic model. London at this period had largely become the center of global trade. In their hubris to draw out and win the Great War however, Europe's empires emerged heavily indebted and economically ruined. Its leadership consisted of an old cast of imperialists who were woefully unprepared for the evolution of progressivism that the pain of the First World War stirred.[6]

When the First World War came to an end, Europe's political and economic structure had been shattered. Millions had died, factories, mines, and farms across Europe had been destroyed, and the estimated price to repair the ruined infrastructure sat at seven billion dollars. Over the course of four years the warring nations of Europe had expended over $200 billion, well over half the sum of several nations GDP, in the blood bath. To keep up with the costs, the major powers relied heavily on loans, taxes, and the excessive printing of money. To even afford the volume of industrial production to equip their armies, the economies of Britain, France, and Germany had contracted. Britain's economy shrunk by five percent, while Germany, and France by a crippling thirty percent. This practice shared with common tactics of combating war debt saw nations through in times past. The Ottoman's increased production of their *kaime* currency to help finance the Crimea War, which dropped its' value and caused discontent. Greece faced a crisis due to the Greco-Turkish War, relying on printing paper money and causing inflation. Russia, before the removal of the Czars, struggled with war debts. From the late eighteenth

[6] Ahamed. *Lords of Finance*, 106-108; William Appleman Williams. *The Contours of American History*, (United States: Quadrangle Books, 1966), 420-424.

century, Russia's status as a great power and taxations failed to raise enough revenue to offset budget deficits, leading to emissions of paper money and foreign loans. War brought economic strain, but in the past, these conflicts did not involve as many economic powers. By 1921, Russia, Austria-Hungary and the Ottoman Empires ceased to exist. Britain, France, and Germany were beset by domestic and social upheaval. The global power dynamics from ten years prior were wrecked.[7]

The peace terms did little to address global economic problems. Economist John Maynard Keynes criticized the Treaty of Versailles in his work *Economic Consequences of Peace*, for its' unrealistic expectations. Keynes worked with the British government as it threw itself into the conflict though found that he had very little say over the financing of the war. Keynes, unfortunately, remained at the opposing end of Prime Minister Lloyd George due to George's dependence on foreign loans to make up for financial shortfalls. Keynes wrote often-ignored warnings to the Foreign Office, as one of his writings lamented the increasingly dire situation in which Britain found itself:

> The sums of money which this country will require to borrow in the United States of America in the next six or nine months are so enormous amounting to several times the American executive and the American public will be in a position to dictate to this country on matters that affect us more nearly than them. It is, therefore, the view of the treasury, having regard to their special responsibilities, that the policy of this country towards the U.S.A. should be so directed as not only to avoid any form of reprisal or active irritation but also to conciliate and to please.[8]

History proved Keynes correct about Britain's dire financial situation, predicting American dominance over British policy due to massive borrowing. The United States emerged

---

[7] Ahamed. *Lords of Finance*, 100-102. Charles H Feinstien, *The European Economy Between the Wars*, (Oxford University Press, 1997. 19-22). Jonathan Kirshner. *Appeasing Bankers: Financial Caution on the Road to War*. (Princeton University Press, 2007), 6-13.

[8] Zachary Carter. *The Price of Peace: Money, Democracy, and the Life of John Maynard Keynes*, (United Kingdom: Random House Publishing Group, 2021), 50-52.

as a creditor nation, with Europe heavily indebted to American banks. Britain, previously the world's banker, controlled over $20 billion in foreign investments, and maintained two-thirds of global trade credit.[9] The reality of Britain's finical woes would not deter their ambitions however. As the First World War concluded a commission led by the Bank of England debated if it would be entirely feasible for Britain to return to its' gold exchange rate at its' pre-war rate. Twenty-three parties, composed of professors, economists, and bankers, raised not a single cord of disagreement about the prospect that Britain would remain the financial hub of the world.[10]

The evidence that this group utilized however, drew heavily from the banks efforts in financial recovery following the Napoleonic Wars. In 1815 after the defeat of Napoleon, the Bank of England had briefly suspended its' use of gold for six years. At the same time, it had also begun to retract printed money via its' banking and merchants allowing for paper money in Britain to be cut in half. The half century that followed had seen Britain become an economic powerhouse in the world. The men who argued for the return to the prewar price believed the same thing would follow if they simply let history repeat. Britain would not recover, and instead slunk into a recession. With two million men out of work, and weighed down by the First World War, David Lloyd George would be ousted in 1922.[11]

France also suffered losses, investing heavily in Russia which underwent significant change by 1918. France had put over $5 billion of its $9 billion oversea investments into Russia; for which the new Soviet government refused to acknowledge responsibility of. Sixteen nations owed the United States roughly $12 billion, as the sum of the war reparations was then placed

---

[9] Ahamed. *Lords of Finance,* 130-133; Carter. *The Price of Peace,* 50-52.

[10] Ahamed, *Lords of Finance*, 159-162.

[11] Ahamed, *Lords of Finance,* 159-162.

upon Germany.[12] Benjamin Strong, who had taken to his new position as Governor of the Federal Reserve of New York, wrote to Montagu Norman, the Governor of the Bank of England, begging for cooperation to stave off what he termed "economic barbarism." The eventual friendship and cooperation of these two would assist in preserving the American and British economies on the same page, until Strong's death in 1928. Strong, along with other economists, attempted to continue and uphold the old system. Under these men -Montagu Norman, Hjalmar Schacht (Governor of the Reichstag Bank) and Emile Moreau (Governor of Banque de France) - Strong attempted to ensure that four nations held to the gold standard to the stubborn end.[13]

European leaders held the opinion that they could wait out the post-war downturn and eventually rebound, unaware of the political changes that would soon follow in the decade after the Great War. In the nineteenth century, the markets knew that the chances of a government abandoning the gold standard leaned towards an impossible outcome. Indeed, it often had been unnecessary to do so. In the past, economic stress on the international market largely fell onto the working class to protect currency value. But this idea rested on the assumption that the purpose of monetary policy was to defend the currency, an assumption which in turn rested on the domestic political system of the afflicted nation. A nation could not ignore economic turmoil.[14] Europe in the later 1920s could no longer ignore issues of class conflict. Germany alone had witnessed political violence twice within five years after the war for economic issues, and the collapse of the Czar's remained fresh on the minds of those who still feared the work of Lenin and the Soviets. Add to this issue, when countries like Japan and America, who experienced very

---

[12] Ahamed, *Lords of Finance*, 100-102; Carter. *The Price of Peace,* 50-52.

[13] Ahamed. *Lords of Finance,* 132-133

[14] Beth A. Simmons. *Who Adjusts? Domestic Sources of Foreign Economic Policy during the Interwar Years,* (Princeton: Princeton University Press, 2020), *26-30.*

little economic or materialistic loss from the war, began to flood their products into European markets in need. Clearly, there needed to be protections to save the domestic market from foreign markets.[15]

Average Cabinet Duration for 17 Countries, 1870–1913 and 1923–1939

	Average Cabinet Duration (years)	
	1870–1913	*1923–1939*
Austria/Hungary	2.3	0.93 (Aus.) 1.5 (Hun.)
Belgium	3.3	1.3
Bulgaria[a,b]	1.09	1.2
Denmark[a]	2.15	4.25
France	1.34	0.63
Germany	1.86	1.42
Greece[a]	0.55	0.84
Italy	1.5	1.41
Japan	2.6	1.06
Netherlands	2.26	2.13
Norway	2.26	2.13
Romania	1.16	0.73
Spain	0.86	0.65
Sweden	2.69	1.7
United Kingdom	1.65	1.31
Yugoslavia[a,b]	0.97 (Serbia)	1.13

Figure 1: Given the shift here, it seems evident that there is higher turnover now in the post war year. [16]

Another problem lay in the realm of domestic politics. Politicians of the post war era would not be catering to the same groups as they had before. In 1890, most modern countries were semi authoritarian with limited economic mobility, an either illegal or suppressed socialist movements. By 1920, the number of democracies had grown to nearly twenty-five, with every industrialized nation now having an electoral democracy, greater suffrage, and the middle class taking a more central role in politics. Therefore, the need to increase taxes in the face of post war

[15] Ahamed, *Lords of Finance* . 136-140; Feinstien, *The European Economy Between the Wars*, 22-27.

[16] Simmons, *Who Adjusts?, 26.*

spending simply became less of an option.[17] As seen by the noticeable decrease in the life span of European cabinet members in the post war era before the collapse of the gold standard, a higher rate of political turnover is quite apparent (Figure 1). This change was not limited to Europe but also evident America. There began to be a noticeable shift as the American people formed into more definitive voting groups decades prior. With American interests at stake it fell upon the government to protect their domestic product. The rise of the middle class within America created new voting demographics that required a different approach from American leadership. These protective tariffs would only grow in severity, and would contribute to the Great Depression in America by the late 1920's.[18]

The protections that normally sheltered banks and business from these changes, however, were not up to the task. Previously, the gold standard had been prioritized over the prosperity over domestic businesses. To achieve this, banks relied on strong central banking centralizing credit through the credit supply of their country, there by weathering any economic shock the nation, rather than any one central industry. Keynes warned of this in his *Tract on Monetary Reform* in 1923, highlighting that a nation relying on a central bank to fix the value of gold could not use monetary policy to ensure their domestic prices stayed the same. It was for this reason he opposed going back to the gold standard in the post-war world. Keynes attested that monetary policy could only achieve stable exchange rates or standard domestic prices, not both concurrently. Swedish economist Gustav Cassel warned of similar issues with the mismanagement of European economics. In his work, *Money and Exchange After 1914*, Cassel

---

[17] Simmons, *Who Adjusts?, 26-30.* Feinstien, *The European Economy Between the Wars,* 24- 28. *Bretton Woods Agreements: Together with Scholarly Commentaries and Essential Historical Documents,* (United States: Yale University Press, 2019), 24-26.

[18] Simmons, *Who Adjusts?, 26-30; Bretton Woods Agreements,* 24-26; Feinstien, *The European Economy Between the Wars,* 19-28; Williams. *The Contours of American History*. 356-358.

criticizes the past century of European banking practices, stating "…the old theory that an accumulated amount of funds could form a basis for financing the first period of a war has been deftly demolished by the experience of the World War."[19]

He chiefly points the blame to the creation of artificial purchasing power that crippled the operation of the banks, with an overabundance of rather worthless paper currency. The source of this of course, flows directly from the abuse of loans that the war waging nations of Europe took out from private lenders, which slowly escalated into the collapse of returns by the loaning banks:

> ...in the next stage the banks in the neutral countries endeavored to organize the granting of credit to the belligerents, and succeeded in obtaining important advantages-e.g., in form of establishing a guaranteed rate of exchange, or of selling in the currency of their own country, or, again of the right to purchase from the belligerent state certain quantities of particularly necessary articles. As soon, however, as agreements of this sort were made with one of the belligerent parties, the other side at once demanded similar credits, and in order to maintain neutrality it was necessary to meet their demands. In this way giving credit to the belligerents went on extending further and further. Whenever the belligerent powers discovered that the neutrals had urgent need of a quantity of articles which the belligerents were in position to deliver, or over the supply of which they possessed control, the promptly availed themselves of their position of power to wring credits out of the neutrals.[20]

This did not just happen in America, but rather globally. By the 1930's, banks and their agencies had promoted the notions of laissez-faire, stating that currency control and credit systems operated best if companies were left to pursue their profits. As one banker summarized:

> Generally speaking, Providence has so constituted human society, that all banking companies and all individuals too will most effectually promote the public interests,

---

[19] Polanyi. *The Great Transformation,* 202-205. Douglas A Irwin. *Trade Policy Disaster: Lessons from the 1930s.* Ohlin Lectures Series. MIT Press, 2012. 34-35. Gustav Cassel, *Money and Forign Exchange after 1914*, (Macmillian Company, 1930), 11-13.

[20] Cassel, *Money and Forign Exchange after 1914*, 12-15.

> when by honorable means they promote their own. If this is not the case with the Bank of England, it must have arisen from the Acts of Legislature.[21]

The truth of the matter, could not have been further from this statement. Until 1913, the American government had no central bank. Even then the Federal Reserve Act of 1913 only achieved its' support when the single bank was split into several regional parts. Overall, banks protested anything that sought to provide some level of monitoring and control. Lending banks were interested only in the pursuit of chasing profit, to the detriment of public interests.[22] This in itself, begins the rot of the old economic system of the 20th century, as a lack of oversight ensures that several nations are making and exchanging currency not only in tediously difficult economic times, but often to the detriment of their own business or at times nation.[23]

This change, however, did not happen overnight. The large loans owed to America from earlier, put the nation at great risk if left unpaid. By 1922, concerns over the reparations issue led to the formation of a World War Foreign Debt Commission. This Commission included Secretary of the Treasury Andrew Melow, Secretary of State Charles Evans Hughs, Secretary of Commerce Herbert Hoover, Senator Reed Smoot of Utah, and Representative Theodore Burton of Ohio. They tasked with ensuring that the loans were repaid back in full, not accepting anything less than 90 cents to the US dollar.[24]

The political reforms of the early twentieth century indicated that all was not well with these, as they foresaw the emerging demands for the creation of a comprehensive welfare state.

---

[21] *Gold and Monetary Stabilization*, Jacob Viner, Harris Foundation Lectures, (University of Chicago Press, 1932), 14-15.

[22] Ahamed. *Lords of Finance*, 56-57.

[23] Polanyi. *The Great Transformation, 11-14.*

[24] Ahamed. *Lords of Finance*, 139-142.

The nineteenth-century gold standard prioritized on external equilibrium often neglecting internal economic conditions. Those managed this believed it was acceptable for the population to bear higher costs to ensure profitable international trade. The political marginalization of the working class ensured uniformity. However, the breakdown of the nineteenth-century consensus meant external balance and currency stability could no longer be unquestionably prioritized. By 1920, major industrial economies had undergone significant changes. The growth of labor unions clashed with stagnant wages, fueling unemployment. The increased turnover of cabinet positions in the post-war era, reflected market-driven competition. Within Western democracies, disputes over income distribution between capital and labor led to demands that could not easily be met due to the fixed gold standard, creating inflationary pressures within some economies.[25] Workers, for the first time, gained political power comparable to capital holders, leading to prolonged conflict over economic policies that arguably contributed to inflation and currency depreciation.[26]

[25] Simmons, *Who Adjusts?* 24- 28; Williams. *The Contours of American History*, 356-358; Eichengreen, *Golden Fetters:* 5-11.

[26] Simmons, *Who Adjusts?,* 24- 28; Williams. *The Contours of American History*, 356-358; Eichengreen, *Golden Fetters*, 5-11.

Table 3.1. Consumer price indices, 1918–1926 (1914 = 100)

	1918 (1)	1920 (2)	1922 (3)	1924 (4)	1926 (5)
Countries with hyper-inflation until 1922 or 1923					
Austria	1,163	5,115	263,938	86[a]	103
Germany	304	990	14,602	128[a]	141
Countries in which inflation continued after 1920					
Belgium	1,434	—	340	469	604
Finland	633	889	1,033	1,055	1,078
Italy	289	467	467	481	618
France	213	371	315	395	560
Countries in which inflation was controlled after 1920					
Norway	253	300	231	239	206
Sweden	219	269	198	174	173
Switzerland	204	224	164	169	162
United Kingdom	200	248	181	176	171
Denmark	182	261	200	216	184
Netherlands	162	194	149	145	138

[a] Linked to base year via gold price. For Austria the index for 1923 on this basis was 76. For Germany the hyper-inflation continued until late in 1923 and the price index for that year (1914 = 100) was 15,437,000,000,000.

Figure 2 *The issues of inflation hit rather hard, but it was weathered.*[27]

Before, there had been a perceived safety in the Gold Standard, which is why people like Strong, and Norman were so hesitant to leave it. To do so, in their minds, would be to invite anarchy and inform the population that there remained no faith that the global market would recover. As mentioned prior, the obsessive amounts of cash that European nations had printed resulted in rampant inflation across the continent. German hyperinflation is the most well-known from this period, but Austria, Poland, and Hungary fell prey to it as well. France and Belgium struggled through in their own ways but managed to return to monetary stability. The crux of this issue, came from a perception that high inflation remained linked to the collapse of value in one's currency. With this, Europe's centralized banks attached their hopes to the gold standard to restore value to their currency, when it remained the gold itself that created the issue. As gold filtered into the United States and France, gold reserves globally began to dry up.[28] To combat

[27] Feinstien, *The European Economy Between the Wars*, 39.

[28] Irwin, *Trade Policy Disaster*, 40-45.

this, nations began to implement controls to break away from their dependency on gold, starting with Germany in July of 1931, then proceeded by Britain and fourteen other nations following suit by September. This, however, did not stop the global depression that swept over the world. It served only to complicate it further in fact.[29]

The initial creation of the Gold Standard, had not been shaped, nor developed with these factors in mind. The lynchpin of the old system relied on the compliance of international cooperation. This cooperation went not only to the governments involved, but the central banks that belonged to this system of exchange. The Bank of London had, prior to World War I, been a central leader for the banking world.[30] After the war however, it could no longer operate with the same authority it had prior. London, for some time by 1914, had a great many issues with how it conducted itself that had led to its' eventual stagnation. Works by economists from as early as the 1850's were critical of the laisse faire practices of the bank, but that its' conduct after the war showed a lack of understanding to truly lead the economic world.[31] Jacob Viner, a well-regarded professor from the University of Chicago, laments that in the post war era, economic stability called on America and France to try and amend the gold standard; America would go off the standard in 1933, one year after his lecture was published. Economic stability would require a more receptive global community before it could be delivered.[32]

---

[29] Irwin, *Trade Policy Disaster*, 40-45.

[30] Eichengreen, *Golden Fetters*, 5-11. *Gold and Monetary Stabilization*, 14-15.

[31] Simmons, *Who Adjusts*, 24- 28. Williams. *The Contours of American History*, 356-358. Eichengreen, *Golden Fetters*, 5-11. *Gold and Monetary Stabilization*, 14-15.

[32] *Gold and Monetary Stabilization*, 14-15.

In addressing the issue of the inflation and currency exchange debacle, the main struggle came to how to cast it down upon the population. One key division lingered often not only over which sectors of society should shoulder the financial burdens stemming from World War I, but who could help guide the eventual recovery after the war. On one hand, deflation would have its most devastating impact on the working class who were already out of work in many post-war economies, yet there may be benefits for the creditors and the rentiers. As Kindleberger has written, "What was critical was that the postwar position made it necessary for sectors in society to struggle over the income distribution" The concern of the time became a debate of deflation and unemployment, and if it may have a negative factor upon the working class of the population. Keynes observed in 1922 that the choice between inflation or deflation comes down to an agonizing outcome of a struggle among interest groups. Given the reforms that began to be taken on in the post-war era, they could not expect the working class to merely suffer the burden once more. If it did, then would this also impair the newly arising middle class, and where abouts might this shift trend in political climates? The fall of the Russian Czars remained fresh on the minds of European rulers by this point, and for good reason. The newly arisen Soviet Union did not forget the hostilities it had received from the Western nations. Britain and France lost a substantial amount of wealth to the Soviet Union due to the dissolution of the Russian Empire. The war loans that Russia committed to continue staying in the First World War, were now renounced by the new Soviet Government. To the elite in Europe, the fate of Russia represented a fear of the consequences should they push the working class too hard; a socialist revolution.[33]

[33] Simmons, *Who Adjusts?,27-32*. Polanyi, *The Great Transformation*, 255-256. Feinstein, *The European War Between the Wars*, 26-28. Ahamed, *Lords of Finance*, 130-132.

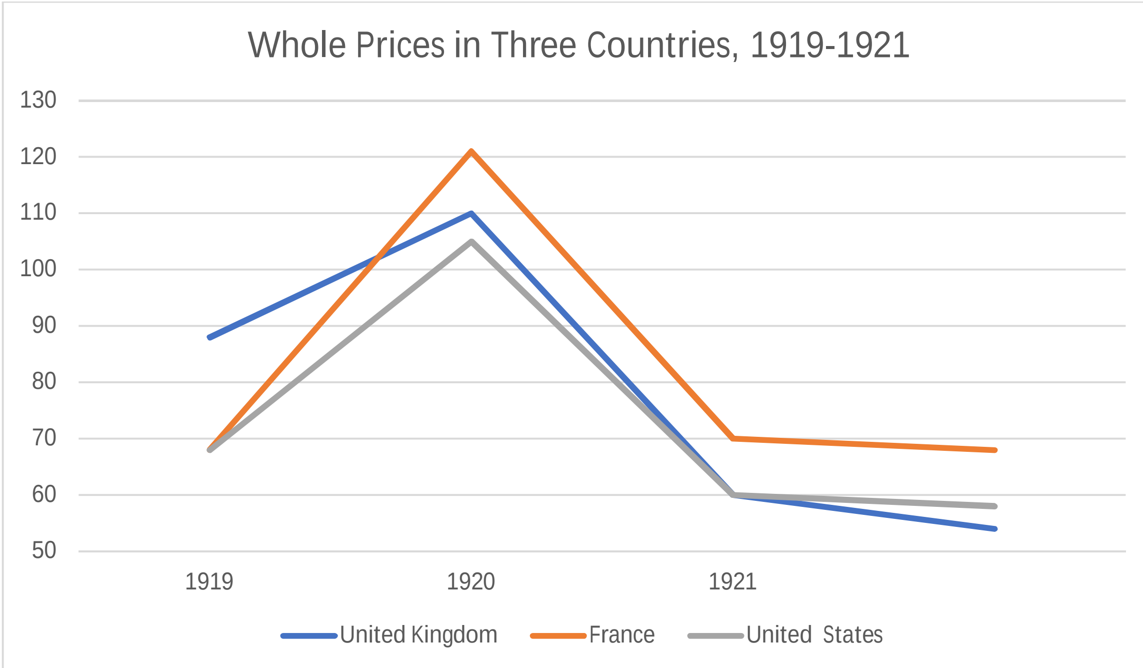

Figure 3 Within two years of the war, pricing in the US, France, and Britain underwent a boom, then a slump.[34]

Given all these ongoing issues, why did these nations refuse to cast aside the gold standard when it clearly did not work? Early on, Britain secured an agreement that smaller nations could hold a portion of their currencies in what it listed as major gold holders. Those holders, consisted of Britain, France, and the United States. According to the Genoa Monetary Conference of 1922, these three countries could convert and deliver gold at the demand of the smaller nations. When in need, one could tap into the central bank reserves of those three nations and relieve the deflationary pressures on their nation, by securing a supply of gold. This practice brought with it a fatal risk. This agreement did not forbid a central bank from abandoning any currency suspected of weakness.[35] Keynes wrote in his work, *A Tract on Monetary Reform*, that "a change in value of money, that is to say in level of prices. Is important to society only in so far

[34] Eichengreen, *The Golden Fetters*, 110.

[35] Simmons, *Who Adjusts?*,25-30; Ahamed. *Lords of Finance,* 139-142.

as its incidence is unequal…when the value of money changes, it does not change equally for all persons or for all purposes". This opening line from his work unfortunately explains the issue with the post-war gold standard. The price adjustments for deficient countries went largely ignored due in part to poor communication from centralized banks.[36]

With this understanding sterling, dollars, French, or even Swiss francs were all considered reserve currencies. There remained no cost to move one's reserves from one to another depending on the market environment. An extraordinary degree of confidence was necessary to trust the value of one's own central bank reserves to the monetary policy of a foreign country. Those central banks consisted of London, Paris, and Germany; with the heads of each three banks still abiding by the gold standard. Norman, who had been in attendance, floated a curious idea to his friend Strong. What if you could hold a conclave of all the centralized banks?[37] Surely, that would be a way to create the monetary stability that they so longed for. There was a degree of optimism that held strong in the minds of bankers in 1922, but had vanished by 1923.[38]

As mentioned before, the growth of labor and social empowerment gave more strength to the working class of Europe. With this new empowerment, and a lackluster economy, a fury of large scale economic and political disturbances erupted. Within Britain, Germany, Sweden, Denmark, and Norway, unionization began to take off to a level that the pre-war world had not been aware of. After World War I, the number of union members doubled in Britain and more than tripled in France. In the years after the end of Versailles, strikes and protests became common around Europe. The total number of work hours lost resulted in large scale loss of work

---

[36] John Maynard Keynes, *A Tract on Monetary Reform,* (Macmillan and Co, London, 1923), 2.
[37] Simmons, *Who Adjusts?,*25-30; Ahamed. *Lords of Finance,* 139-142.
[38] Simmons, *Who Adjusts?,*25-30; Ahamed. *Lords of Finance,* 139-142.

production measured by days. In Italy, the number of work hours lost amounted to 912,000 in 1918. Those numbers grew to more than 22 million in 1919 and then 30 million in 1920. France suffered a similar ailment. Germany's strikers made their largest contribution to the cause in 1924, when more than 36 million hours were lost. The most disruptive of all was the British general strike of 1926, which cost workers and the economy 162 million hours.[39]

The high rates of inflation persisted from 1924 to 1926 as seen above, but the true problem arose when nations attempted to force the convertibility of the pound to its' prewar value. The problem however, lay in the fact there had been no forethought that went into the fact that domestic prices in Britain had risen and were not equal to that of the prewar value of the British pound. Britain, hoping to have save its gold reserves, quickly began to suffer from balance of payment issues. This resulted in a significant British strike in 1926, in reaction to this policy. Domestic businesses suffered in attempting to sell imports, and as such, unemployment remained high. France on the other hand, had not done so, and in fact, had increased its' supply of gold from 7% in 1926 to what would become 27% by 1932.[40]

The French franc, unlike the pound, did not adjust to its prewar value. This undervalued the French currency compared to the British pound. To compound issues, America and France began to violate a core structure of the gold exchange policy. In the past when one nation had a surplus of gold over other nations it would expand its monetary policy. By adjusting their interest rates to remove their surplus banks prevent such things like devaluation or inflation in other nations from spiraling out of control. These adjustments were typically controlled by the central banks of each nation allowing for easier capital to flow by keeping rates at a normalized level.

---

[39] Simmons, *Who Adjusts?*,25-35. Irwin, *Trade Policy Disaster,* 4-7.

[40] Simmons, *Who Adjusts?*,25-35. Irwin, *Trade Policy Disaster,* 4-7.

This left a result of some nations being traded with at a net loss, while nations such as America and France began to profit. This only fueled the notion of more nationalistic economic practices driving a wedge between global cooperation and reducing incentives to lift trade restrictions against other nations.[41]

While the public in these nations supported efforts to uphold their own currency, these ideals only existed within the borders of the selected nations. The success of this system relied on the cooperation of nations aligned to uphold and committed to trade. Without that it quickly fell apart. When France faced financial issues in 1925 and 1926, Britain and America refused further aid due to France's unstable political policies and deflating capital gains. The First World War eroded confidence in leadership, both domestically and abroad. For the old world's gold standard and currency exchange to survive, it would need continued cooperation from European powers. However, as the 1920's progressed, this cooperation on seemed less and less likely.[42]

Keynes began advocating for revenue tariffs and urged domestic British firms to expand and hire workers, although he had shared these ideas with British officials by July 1930. The tariff Keynes supported aimed to tax imports by 15% on manufactured goods, and 5% on food and raw materials, until prices stabilized to 1929 levels, after to which Keynes believed the tariff should be dropped. Despite Keynes beliefs at the time, the reality of global trade remained unchanged.[43]

---

[41] Simmons, *Who Adjusts?*,25-35. Irwin, *Trade Policy Disaster*, 4-7.

[42] Simmons, *Who Adjusts?*,21-35. Irwin, *Trade Policy Disaster*, 4-12

[43] Irwin, *Trade Policy Disaster:* 54-57. Simmons, *Who Adjusts?*,31-37. Feinstien, *The European Economy Between the Wars*, 67-72.

1913–50		1913–29		1929–38	
		WWI neutrals		*Off gold in 1931*	
Austria	0.2	Sweden	1.9	United Kingdom	1.9
Belgium	1.0	Finland	2.4	Denmark	2.2
Germany	1.1	Denmark	2.7	Sweden	2.6
France	1.2	Switzerland	2.8	Norway	3.1
United Kingdom	1.3	Norway	2.9	Finland	3.9
Italy	1.5	Netherlands	3.6		
Netherlands	2.4			*Gold bloc*	
Denmark	2.5	*WWI winners*		France	−0.4
Switzerland	2.6	United Kingdom	0.7	Belgium	0.0
Finland	2.7	Belgium	1.4	Netherlands	0.3
Sweden	2.7	Italy	1.7	Switzerland	0.6
Norway	2.9	France	1.9	Italy	1.6
		WWI losers		*Other*	
		Austria	0.3	Austria	−0.3
		Germany	1.2	Germany	2.5
Non-European nations					
Japan	2.2	Canada	2.5	USA	−0.6
USA	2.8	USA	3.1	Canada	0.0
Canada	2.9	Japan	3.7	Japan	3.6

Figure 4 Given the low rates seen by those who clung to the standard, it seems to be common sense to abandon it.[44]

Given the way nations that abandoned the gold standard one can hardly fault other nations for cutting loose. France, witnessed a drop of 0.4 GDP as it clung to the gold standard from 1929 until 1938. Compared to Britain, which had freed itself from its' reliance on gold in 1931, saw an increase of 1.9. It seems rather futile to hold onto the old way of doing business. As mentioned above, the rise of nationalism created a barrier that made free liberal trade between nations seem like political suicide. Consequently, there was be no push from politicians, and there was a lack of any sufficient economic leadership within centralized banks to rally together and lead the way forward.[45] Tragically, it took the ruin of Europe in the Second World War to

[44] Feinstien, *The European Economy Between the Wars*, 13.

[45] Feinstien, *The European Economy Between the Wars*, 25-32.

break the shackles of economic nationalism, and allow for Bretton Woods to have a chance. Until that happened, there was no consensus on how to proceed.[46]

[46] Patricia Clavin. *The Failure of Economic Diplomacy: Britain, Germany, France, and the United States, 1931-36.* (Macmillan Press, 1996) 28-29.

Chapter 2

By 1929, the global depression began to impact America. Benjamin Strong had passed away, and with his death, communication between America and British central banks declined. Ironically Keynes had garnered favor with his writings post-World War I. This way of life opened itself to mentorship under Montagu, and now, he found himself arguing with the leadership of Britain and France about how to deal with the post war economy. His arguments largely fell on deaf ears. The First World War had made the practice of distributing fiscal burden a lost art. As mentioned before, central banks considered the regulation and flow of gold between nations, and adjusted their rates accordingly. [47] The failure of the London Conference did not mark the end of global cooperation to address currency exchange rates. Rather, the Tripartite Agreement of 1936, brought France, Britain, and the United States together into a mutual exchange that anchored their currencies to one another.[48]

The idea for Bretton Woods did not come about simply from the minds of Keynes and Harry Dexter White, but rather lay within the designs of Roosevelt's Good Neighbor policy with Latin America. As previously discussed, the America public remained in favor to remaining an isolationist nation. The American people outright refuted charges of connecting with fellow nations by alliances and pacts. Senators and presidents both had carefully navigated around such discussions, heeding to George Washington's warnings of entangling alliances with Europe. This mentality of rejecting the European dilemma across the Atlantic had resulted in a reluctant American support of the First World War, and had seen its' outright refusal to taking part of the London Conference of 1933. A conference which sought to address a currency debacle that had

---

[47] Carter, *The Price of Peace:* 79-82. Eichengreen, *Golden Fetters,* 9-15. Ahamed. *Lords of Finance*, 320-327.

[48] *Bretton Woods Agreements*, 35-47.

seen much of Europe fighting among itself for proper exchange rates. This reluctant US public is exactly what Wilson faced, and found, prevented his attempts to create a world that could be ‘safe for democracy’.[49]

Yet, the need for a measure of economic stability became quite apparent in the wake of the First World War. America’s position in the post war world made it the only viable candidate to support any meaningful economic program. Though as discussed above, the American people were in favor of being left to their own devices. The Tripartite Agreement served only as a half measure, yet, the global economic system could not exist in such a malaise.[50] There remained, however, no discussion on the other issue that had resulted in the financial collapse. Private bank loans had assisted in building up copious amounts of debt, that had no chance of being paid off. In years past, the coordination of central backs to monitor and adjust their rates had prevented the rapid inflation that struck Europe in the 1920’s. A primary issue around this banking collapse centered around the renegotiation of the Dawes Plan and the money cycle between Germany, Britan, France, and America.[51]

To repay war reparations, put upon it by the Versailles Treaty, the German government requested a large foreign loan. This loan gifted 800 million worth of golden marks to Germany in foreign currency. The United States alone floated fifty percent of the loan, Britain took up twenty-five percent, with France, Belgium, Holland, Italy, Switzerland, and Sweden covering the remainder. The Dawes loan itself proved successful in reviving Germany from the crushing

---

[49] Eric Helleiner. *Forgotten Foundations of Bretton Woods: International Development and the Making of the Postwar Order*, (United Kingdom: Cornell University Press, 2014), 3-15.

[50] *Bretton Woods Agreements*, 35-47.

[51] Eichengreen, *Golden Fetters*, 148-151.

economic downturn it had suffered after the First World War. This successful loan however, made American bankers over confident. This new found bravado brought forth with it numerous more foreign loans that were given at reckless intervals from private banks. Within four years these investments would result in the near shuttering of over nine thousand U.S banks.[52] The continued practice of course played its hand into the gold surplus that the United States struggled with in the latter half of the 1920's. Of the nine billion that had been doled out through lending, sixty percent of the sum came from American banks.[53]

	U.S. Lending Abroad by Region (millions of dollars)			
	Europe	Canada	Latin America	Far East
1924	526.6	151.6	187.0	96.1
1925	629.5	137.1	158.8	141.7
1926	484.0	226.3	368.2	31.7
1927	557.3	236.4	339.7	151.2
1928	597.9	184.9	330.1	130.8
1929	142.0	289.7	175.0	51.5

	New Capital Issues for Overseas Borrowers in London (millions of pounds)	
	For Governments	For Other Borrowers
1925	30.5	57.3
1926	46.7	65.7
1927	63.6	75.1
1928	57.7	85.7
1929	30.4	63.9

Figure 5U.S & British Lending in the 1920's[54]

[52] Eichengreen, *Golden Fetters,* 148-151.

[53] Feinstien, *The European Economy Between the Wars,* 84-87.

[54] Eichengreen, *Golden Fetters,* 151.

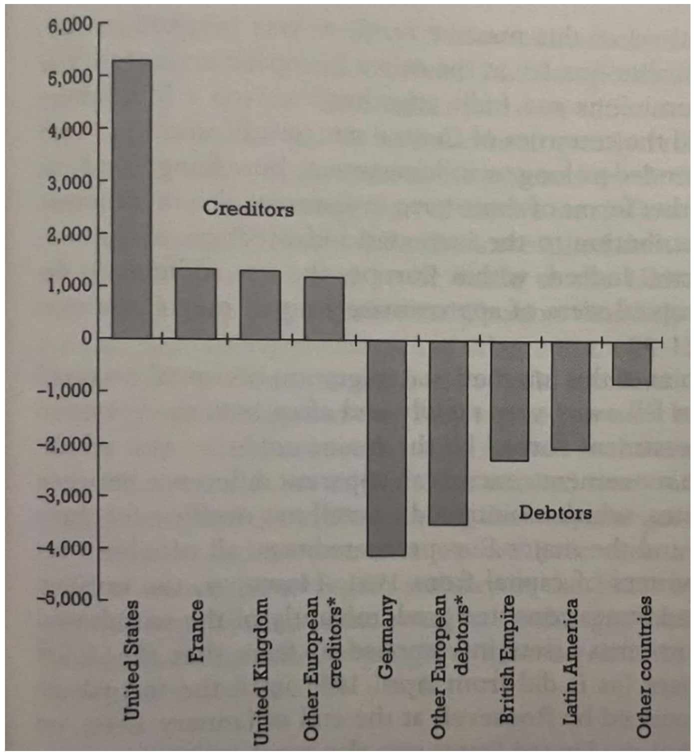

Figure 6*Sources of International Capital Flows*[55]

Despite anxieties over events as the Nyes report and later the Blue-Ribbon report, war had been detrimental towards economic stability in the world. Up until the end of the Second World War, many nations simply were stuck in a state of colonialism. There remained a need to invest and disburse financial resources to the underdeveloped parts of the world, with the hope that this rebuilding could serve the global powers. Overall, the colonial powers needed to foster their own development, without waging war with one another. Bismarckian diplomacy had seen long term peace within Europe, but after Versailles, the notion of anti-colonialism had begun to course through what otherwise had been safe investments for the colonial powers. Keynesian

[55] Feinstien, *The European Economy Between the Wars*, 85.

economists worked to calm public fears of an inflation such as had occurred during World War I.[56]

The truth of the matter was, that war in and of itself creates destabilization of economic systems. The shattering of Europe's economy in the wake of the First World War is only one example, but times past show this to be an ongoing dilemma after the wake of a largely destructive war. The wake of the war had stirred on labor demands throughout Europe, as laborers and reforms were demanded in domestic markets that struggled with debt. Work protections and pay that had not been disturbed in decades within Britain soon become up for debt. Though Britain did not suffer alone.[57] The 1920 and 30's posed a dilemma for deficit states choosing to remain on gold: the strategy of deflation became extremely painful between business cycles. Even though many nations did not rely on the gold standard by the middle of the 1930's it did not save them from complications. Britain, Belgium, and France all suffered severely in their trade due to the gold exchange dilemma. In the graphs below, Belgium is the most highly trade dependent country in the sample, while Britain was much less so, and France was potentially self-sufficient. Belgium and Britain both abandoned their gold standard in the year 1931, while France desperately clung to it.[58]

[56] *Bretton Woods Agreements*, 32-39. Polanyi, *The Great Transformation*, 8-14, 25-31.
[57] Kirshner. *Appeasing Bankers,* 9-12. Polanyi, *The Great Transformation*, 231-239.
[58] Simmons, *Who Adjusts?,* 219-224.

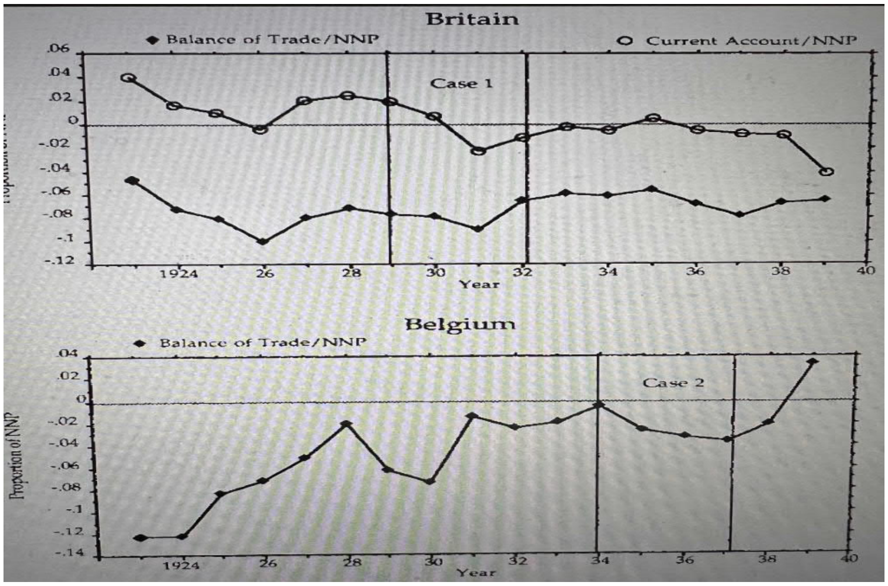

Figure 7Britain and Belgium Balance of Trade[59]

While America recalls the Great Depression in its history, the American narrative often overlooks the unrest and struggle that the rest of the globe had been living in for well over a decade. Labor unrest, for example, had become a large issue for France. Britain suffered from this problem as well, with more nationalistic policies taking place as the Labor Party collapsed in 1931, allowing for the conservatives to wield more influence. This brought with it the Import Duties Act of 1932, which gave a broad ten percent tariff on imports.[60] Sadly, given how negatively the economy of the later 1920's went along, the stronger the approval for these protective tariffs became. The French case began under a center-right government, but power shifted dramatically to the socialist Front Populaire until it collapsed into infighting in 1935. These three nations share a similar pattern, even though their trade policies differ vastly.[61] A country that depends heavily on a single market or a few markets is much more likely than its

[59] Simmons, *Who Adjusts?*, 220.

[60] Simmons *Who Adjusts?*, 186-190.

[61] Simmons, *Who Adjusts?*, 219-224.

counterparts to be vulnerable to trade-partner pressure to keep tariffs low. Countries with a highly diversified trading partners seemingly have much greater freedom of action.[62] This statement by a French commoner in 1936 perhaps best surmises issues that were becoming rather frequent across Europe:

> they are taking place, all over the country . . . twenty thousand of them at Meaux not so long ago…and at Bondy – regular motorized mobilizations. You should have seen them The Popular Front in their camions, with out-riders and flags. No one can stop them assembling if they are invited, you see.' We strolled through the village and I went to the butcher to get something for lunch. '…and discipline,' Vaudel [the butcher] was saying when I entered. 'We are patriots…and good Frenchmen….what we want is a clean, renovated France[63]

These waves of division and strife within a population only complicated an already dire situation. Britain and other nations attempted to hold several other meetings to try and correct financial and currency imbalances, but they largely were for naught. The Ottawa Conference of 1932, in fact made things far worse, by limiting the trade partners of which the British Dominions were allowed to pick. A prior failed attempt, the Lausanne Conference, saw Neville Chamberlain and Herriot broken a financial deal that absolved Germany of its' unpaid obligations under the Dawes and Young Plan, under the guise that it would be a path forward for Europe and get American to forgive the long outstanding war debts. The conference served to do accomplish exactly the opposite. It not only enraged the Hoover administration, but alienated American banks that saw their still outstanding debts remain uncollected. As Henry Stimson would later explain to others, "Some dumbass from the British Treasury had led the French to believe that 'he knew American psychology' and the best way to secure an American

[62] Simmons *Who Adjusts?*, 186-190.

[63] William Fortescue. *The Third Republic in France 1870-1940 : Conflicts and Continuities*, (Routledge Sources in History, New York: Routledge. 2001), 191-192.

commitment to abolish war debts was to ‘cancel’ reparations and present the United States with a *fait accompli*.”[64]

The tragedy of this conference, is that both the British and French hoped to encourage American interest, and have it served as a path forward to address the economic and monetary issues that all three nations still suffered. Trying to squeeze more out of this announcement, Britian attached an invitation to America for an economic commission to be held the following year. Though for obvious reasons, the US State Department remained suspicious of Britain’s true aims. America agreed to attend, only if the question of war debts and tariffs remained off the table, and the Europeans at least discuss the possible use of silver on the world market; done only to appease an influential silver lobby within Congress. In what would be called the World Economic Conference, Europe hoped to come to a solution to its monetary woes. Unfortunately, the talks broke down nearly immediately as Britain found the nations of France, Germany, and America expected its’ representatives to have a plan. British Foreign Secretary, Sir John Simon, perhaps had one of the worst openings to a conference at the time. Simon began by dismissing John Maynard Keynes from the conference for being too “unreliable”, and entrusted members of the British Foreign Office to make up parts of the committee. In a poor attempt to curry favor with America and Germany, Simon opted for Waltor Layton, who worked as an editor for *The Economist*, and known to be liked by both German and American governments.[65]

This backfired horrifically, when Layton went public to renounce his appointment, but went into painstaking detail regarding his resentment of his government’s role in the Ottawa conference, and the British government lacked sincerity behind the World Economic Conference.

---

[64] Clavin. *The Failure of Economic Diplomacy*, 31-37.

[65] Clavin, *The Failure of Economic Diplomacy*, 31-37, 123-132. *Bretton Woods Agreements*, 22-25.

To make matters worse, agreements between the French and German government were made void, as Hitler came to power in Germany. France soon found many of the accords they had reached just months prior, were now entirely disregarded by this new Germany government's desires. Given the figures below, one can see the ultimate result that France garnered from these talks. The stabilization talks largely fell through as well, as Roosevelt, only just taking office in 1933, found the concessions that Britain and France asked to return to the gold standard would interfere with domestic recovery. Britain, despite what Keynes asked Chamberlain not to do, stated it would be willing to return to the gold standard. Roosevelt ultimately demanded the American delegates withdraw from the conference, when Britain and France made it known they only sought short term stabilization of trade and monetary reform. To Roosevelt, the premise was too short sighted, nor did their governments have any desire to commit. Roosevelt drew ire for this move by many within British parliament, though Keynes himself would come out in support of his decision. The conditions to bring meaningful change were not yet met.[66]

[66] Clavin, *The Failure of Economic Diplomacy*, 31-37, 123-132. *Bretton Woods Agreements*, 22-25.

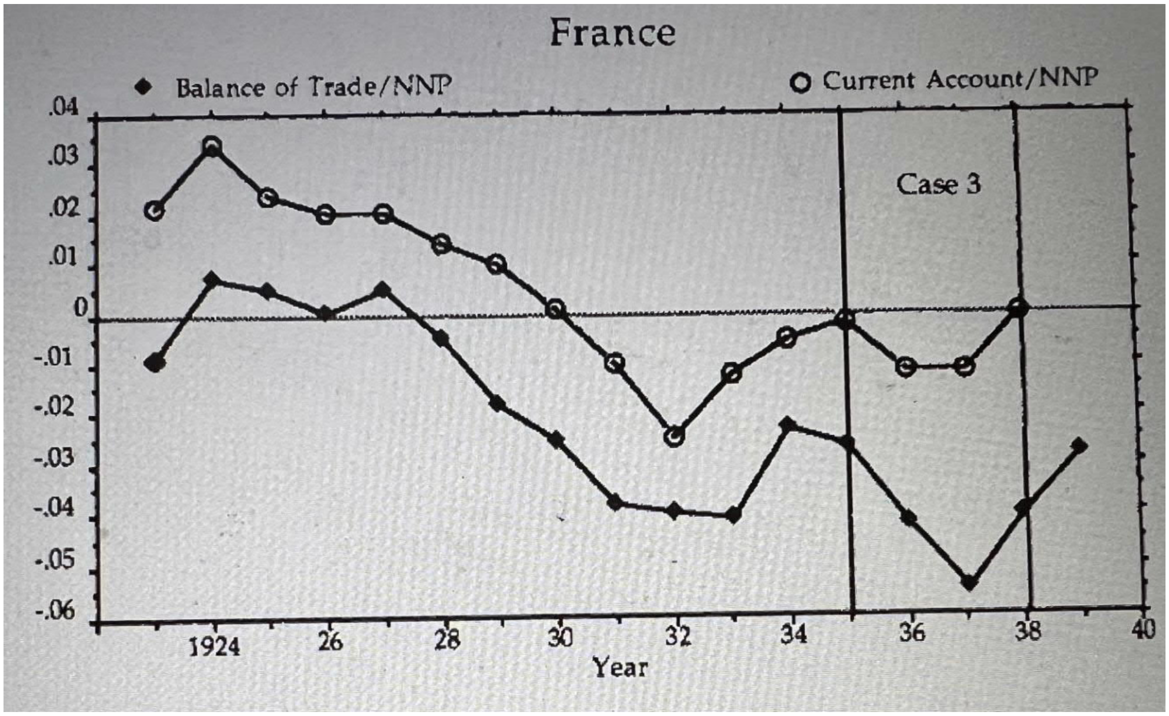

Figure 8 France balance of trade[67]

Under Roosevelt's leadership, there began an effort to target and address the struggles brought on by the Great Depression. Within the Roosevelt White House, Keynesian economists offered up their expertise in walking the nation out of the depression. While the gold standard had been abandoned by most nations by 1933, Harry Dexter White remained a vocal champion for it.[68]

As tensions in the world ramped up in the 1930's, this did not halt plans by Roosevelt and Morgenthau to look for a solution to restore globally economic stability. Harry Dexter White wrote and opened dialogue with his peers on issues of the gold standard, and attempts to rectify the issues he took with how currency exchange had been handled in times past. Though he was far from the only one advocating for such resolutions. White and Morgenthau had begun their

[67] Simmons, *Who Adjusts?*, 221.

[68] James Boughton, *Why White, Not Keynes? Inventing the Post-War International Monetary System*, (IMF Working Paper, 2002). Steil, *The Battle of Bretton Woods*, 128-132.

search for likeminded economists wherever they could find them. As early as 1934, speculation over the next World War were noted within the White House staff, with Press Secretary Early inquiring as to the general security of the United States given the growing tensions in Europe.[69] While it would take another decade for Bretton Woods to occur, the failures of the peace had brought with it valuable lessons. Leo Pavlovsky, special assistant to the secretary of state in charge of post war preparations, outlined the goals for a successful peace in 1942:

> First create a system of international political relationships which would offer a reasonable hope for the preservation of a just peace among nations with the least practicable diversion of economic effort to the maintenance of armed forces; and second to create domestically and internationally economic conditions which would make possible a progressive movement toward an efficient utilization of the human and material resources of the word on a scale adequate to insure the greatest practicable measure of full and stable employment accompanied by rising standards of living everywhere.[70]

While plenty of observers during the 1940's blamed the economic environment for the cause of the Second World War, the proper way to address these issues did not hold unanimous support. Economists Hansen and Kindleberger both blamed Britain and the United States for not utilizing their resources effectively to deal with the global economic problem. FDR's own Nice President Henry A. Wallace even made remark of it in his book *The Century of the Common Man*: "The seeds of the present world upheaval were sown in the faulty economic decisions that followed the war of a generation ago. The vast sums of reparations imposed on Germany…were an indigestible lump in the Europe's financial stomach." The United States "newly hope to live with, and in so doing helped make it certain that the world would go through hell."[71]

---

[69] Papers of Henry Morgenthau jr.,Franklin D. Roosevelt Library, Hyde Park, box 312.

[70] Georg Schild. *Bretton Woods and Dumbarton Oaks: American Economic and Political Postwar Planning in the Summer of 1944*, (University Press of America, 1983), 14-15.

[71] Schild. *Bretton Woods and Dumbarton Oaks*, 16-18. Harry A Wallace, *Century of the Common Man*, 1942.

The United States held tentative interest in how a post war economic system might look, but it did not truly begin until the attack on Pearl Harbor. A week after the attack, Morgenthau tasked White with preparing a 'Inter-Allied Stabilization fund'. These plans, White had long since worked on ahead of time, though they would undergo several changed before it would consist of two separate institutions central to the plan; a fund and a bank. [72]

Before any headway could be made, over a decade of isolationist policy would have to be done away with. In 1938, Congress had placed bans on loans and credits to belligerent nations after the findings of the Nye Commission came to light; which blamed bankers for American involvement in World War I. The Neutrality Acts, designed to keep the nation neutral, reflected the past ten years of a failed peace. Even though the citizens of American viewed the European conflict as a nonissue, Roosevelt and his advisors became quite concerned for the possibility if France and Britain lost this conflict. When Europe moved into another war in 1939, less than three percent of the nation supported going to war on the side of the British and French. Thirty percent were against even trading with any nation actively at war.[73]

Even if America did not wish to partake in a European War, a defeat to the French and British threatened to undermine America's own security. The secretaries of war, of the navy, chief of naval operations, and the chief of staff for the army all urged the president that the failure of Britain would compromise key defensive positions for America, and would require American forces to replace these points immediately if threatened. The Johnson Act of 1935 made such support neigh impossible, as the legislation forbid the US from giving out loans to any nation that held unpaid debts. While Roosevelt would manage to convince Congress to

---

[72] Helleiner. *Forgotten Foundations of Bretton Woods,* 99-102.

[73] Steil, *The Battle of Bretton Woods, 99-105.*

amend and do away with these acts, it still saw a delay of aid that would prove to be the undoing of France.[74] General Consul Edward Foley, and his associate Oscar Cox, would then be tasked to create and write the Land Lease agreement, though Roosevelt turned to convince the American public that Land Lease remained in the best interests of American with a now famous metaphor:

> Suppose my neighbor's home catches fire, and I have a length of garden hose four or five hundred feet away. If he can take my garden hose and connect it up with his hydrant, I may help him to put out his fire. Now, what do I do? I don't say to him before that operation 'Neighbor, my garden hose cost me $15; you have to pay me $15 for it.' What is the transaction that goes on? I don't want $15- I want my garden hose back after the fire is over. All right. If it goes through the fire all right, intact, without any damage to it, he gives it back to me and thanks me very much for the use of it. But suppose it gets smashed up-holes in it- during the fire; we don't have to have too much formality about it, but I say to him, 'I was glad to lend you that hose; I see I can't use it any more, it's all smashed up' He says, 'How many feet of it were there?' I tell him, 'There were 150 feet of it' He says, 'All right, I will replace it' Now if I get a nice garden hose back, I'm in pretty good shape.[75]

While Roosevelt managed to win over members of the public with the sentiment of being a good neighbor to a struggling Europe, Republican isolationists were not so charmed. Robert Taft of Ohio, who would wage his own crusade against Bretton Woods years later, charged that to entertain land lease would sell out the nation to promote bloodshed in Europe. Isolationists would become a troubled matter for Bretton Woods down the road, but for now, Roosevelts' administration managed to finesse land lease through Congress by March, 1941.[76]

When Italy invaded the south of France on June 10th, the Roosevelt administration scrabbled together what resources it could to send for the allied war cause. As production had not

[74] Steil, *The Battle of Bretton Woods, 99-105.*

[75] Steil, *The Battle of Bretton Woods, 99-105*

[76] Steil, *The Battle of Bretton Woods, 106-116.*

yet even begun for negotiated goods, the administration had to turn towards the US' own arsenal, to send 500,000 rifles, 80,000 machine guns, 130,000,000 rounds of ammunition, 900 75-mm guns, 1,000,000 shells, along with explosive ordinance. Yet, in Britain there remained apprehension about needing to trust in Land Lease aid given the price that American diplomats asked of them. It would require the dire need of land lease to secure British cooperation for a post war economic plan. On January 10th of 1941 the Land Lease Deal to be first read aloud in Congress, colorfully named 'H.R.1776'. Curious enough, Senator John Denaher ended his statement of support by citing a speech by Millard Freemore, of which includes within its' final lines: "But European nations have had no such training for self-government, and every effort to establish it by bloody revolutions has been, and must without that preparation continue to be, a failure."[77]

President Roosevelt already looked to plan out how America could continue to shape its' economic future while remaining in peace time. Of course, such a notion would be torpedoed by the aftermath of the Pearl Harbor attacks, it does show a high level of thought on behalf of the president towards the economic impact of America. Roosevelt's advisers pointed to agricultural surpluses, persistent high unemployment, and a substantially progressive tax structure. Economist Alvin Hansen referred to Keynes own work when he had been asked about the expenses for raising an army and the concern of inflation. To which he dismissed such notions, stating: "the fear of inflation is exaggerated, and danger exists that the important weapon of specific price increases where these may help eliminate bottlenecks is not sufficiently used". These positive influences would cultivate and encourage liberal trade in the same token as the

---

[77] Steil, *The Battle of Bretton Woods, 99-105. Senate Hearing on Aid to Great Britain,* January 10, 1941, Vol 83, 93-94

New Deal. In time, this new mindset would begin to take root, and be in cooperated into solutions on how to best structure the new economic order, though much of Roosevelts economic advisors remained influence by the work of Keynes. Roosevelt had read and agreed with the *The Economic Consequences of Peace,* taking and forming them into the basis for the Four Freedoms address.[78]

There is also evidence that White and Morgenthau planned for this opportunity for several years. Hundreds upon hundreds of documents from Whites archive, reveal a weekly issued report given directly to Morgenthau, from the years 1938-1941. For the last three years White monitored the conversion US dollar to sterling exchange rate. He had also incorporated into these reports, the monitoring of gold reserves and capital movements of the nations of Britain, Sweden, Finland, France, Japan, and Latin America. Each report painstakingly given in detail, with estimates of what the movements may mean, and the movements of capital for each of the respective nations. To White, the British Sterling served as far too weak of a currency to depend upon, specifically in terms of an exchange rate. White mentions in his memo, due to how sharply the sterling declined in value, it would pressure Japan and Germany to come up with the imbalance to maintain their markets. To White, he viewed this as proof that the Sterling could not replace the dollar as being tethered to the exchange rate.[79]

[78] Byrd L.Jones, "The Role of Keynesians in Wartime Policy and Postwar Planning, 1940-1946." *The American Economic Review* 62, no. 1/2 (1972): 125–27. Papers of Henry Morgenthau jr.,Franklin D. Roosevelt Library, Hyde Park, box 312. Carter, *The Price of Peace*, 125-132.

[79] Papers of Henry Morgenthau jr.,Franklin D. Roosevelt Library, Hyde Park, box 312. Steil, *The Battle of Bretton Woods: 103-109.*

Though Keynes waged his own struggles back at home, his work left him with likeminded colleagues who would prove important in the years to come.[80] Harry White took his work of a post war economic system very seriously, remarking that:

> …the defeat of the Axis powers would be made easier if the victims of aggression, actual and potential, could have move assurance that a victory by the United Nations will not mean in the economic sphere, a mere return to the pre-war pattern of every country for itself, or inevitable depression, or possible wide-spread economic chaos with the weaker nations succumbing first under the law-of-the-jungle that characterized international economic practices of the pre-war decade. [81]

White firmly believed that to return to the pre-1914 gold standard would prove to be the most secure, and safe way of returning the world to a single monetary plan. In 1942, both Whites and Keynes would have their plans put to inspection for implementation. The American Treasury soured quickly on Keynes proposal, and namely on how the clearing union would even work. Keynes insisted that using an actual physical currency such as gold, would only cause further issues between nations. Rather, using his artificial 'bancor', the governments involved could expand and contract the 'pool' of bancor as needed. Though Keynes at first would believe Americans simply didn't understand the plan, he later realized that his plan simply did not give America the same level of control as White's plan allowed for.[82]

Though for as much as Americans thrashed Keynes plan, the British returned the favor to Whites' fund and bank plan. Ultimately, these discussions changed drastically in October of that year, when White accompanied Morgenthau to England for an inspection of facilities before the

[80] Jones, "The Role of Keynesians in Wartime Policy and Postwar Planning, 1940-1946.", 125–129.

[81] Steil, *The Battle of Bretton Woods, 99-105.* Carter, *The Price of Peace*, 356-359

[82] Steil, *The Battle of Bretton Woods, 99-105.* Carter, *The Price of Peace*, 356-359.

North Africa landings. Ambassador Winant arranged for White and Keynes to meet on the twenty third, though it nearly faced cancelation when Keynes held another engagement for their appointed time. The situation was salvaged of course when White, every bit the prima donna that Keynes could be, loudly declared "I don't want to talk with anyone except Keynes". Keynes prior engagement miraculously was canceled, and the pair soon seat across from one another within the London embassy.[83] Keynes lambasted the idea of returning to gold within the plan, though White refuted him when he charged that Congress would turn their nose up at any plan that lacked a backing in capital. Issues of how voting would be divvied up between groups, as well as if the Soviets would be in attendance caused further disagreement. White managed to get his way, arguing that to not include the Soviets would only create suspicion. Keynes asked for a private meeting between America and Britain prior, to which White reconciled by suggesting that the French, British and Soviets join the Americans as the initial [84]

White took much of his inspiration from aspects of the New Deal, as well as the canceled InterAmerican Banking plan. As he stated in a letter to Vice President Henry Wallace in early December 1941, he strongly agreed that increasing industrialization and rising the standard of living would keep all nations content in the long term, highlighting the argument he would make for when he would present the draft for the Fund:

> Any attempt to expand the industrial element in the economies of the least industrialized countries would be very difficult without the aid of a tariff schedule which would protect such industries during their infancy. It is hard to see how any of the Latin American countries, for example, could have any significant expansion of most industries unless they pursue a policy of protection for those industries. Most of them, I believe, are already pursuing such a policy. The industrialized countries, England, United States, Germany, Japan. Etc, have so many great an advantage in the production of numerous

[83] Steil, *The Battle of Bretton Woods, 158-162*

[84] Steil, *The Battle of Bretton Woods, 162*

> industrial commodities that it would be very difficult for non-industrialized countries to build up competing industries without tariff protection of subsidy.[85]

The primary difference between Keynes and White's plans lay in where the interests of their nations resided. Keynes hoped desperately that his plan would not only be accepted, but also allow Britain to retain some semblance of itself as a great power, despite lacking the economic sustenance to justify it. However, doing so would result in a return to tariffs and trade protection policies, that had driven nationalistic economies. Keynes confided that America would only make the same mistake again, and the stresses of his own plan being slowly torn apart would greatly complicate his health. From 1943-1945, Keynes health would be challenged by heart palpitations, fevers and a heart attack occurring during the Bretton Woods Conference. Many of the attendants praised Keynes from afar, but it did little to ease the sense of dismay he felt. Everyone wanted to speak with the man about everything, aside from his monetary reform plan it seemed.[86]

To Keynes, the idea of Britain having to surrender its autonomy to America remained a bridge too far. Though he tried to negotiate and demand from both American and British colleagues alike, he ultimately allowed it to come to pass. His idealized clearing house too, would become a stripped-down idea, as letters show the lack of enthusiasm others held for his insistence of his bancor term. Several documents sent to Harry White contained polite requests that Keynes rethink his insistence with the clearing union, with one remarking that 'his fetish for such terms is an embarrassment'. In many ways, Keynes felt insulted and thoroughly embarrassed. At home, he endured ridicule in the House of Lords, when a parliament member

---

[85] Helleiner. *Forgotten Foundations of Bretton Woods,* 113.

[86] Helleiner. *Forgotten Foundations of Bretton Woods,* 103. Carter, *The Price of Peace,* 332-335, 354-359.

needled him, asking why he accepted the American plan instead of his own. “When the facts change, I change my mind. What do you do sir?” he retorted in the House of Lords, but this was a lie. Keynes accepted that Americans rejected every step of his plan, and now, the US Treasury would be directing monetary reform. Keynes merely tried to remain civil about the affair, but contempt would creep up now and again.[87]

Bancor aside, Keynes’ clearing house held a crucial flaw that Keynes would refuse to acknowledge. The clearing house required all lenders to not only be on board with loaning money but also to all be dealing with one another to disburse funds. If one or more actors simply did nothing with the money, the shared pool would vanish, and the system would refuse to work. Unfortunately for him and the House of Lords, there was next to no bargaining power that the British could use to make much of a demand to the Americans in terms of the bank or the fund. Britain tried desperately to fight clauses that challenged their right to embargo and trade rights, though they would again be forced to accept the terms of the Americans.[88]

The Treasury however set the British into a fervor, when they informed Churchill and his cabinet that France, China, and the Soviets were also being consulted for insight into their economic plan. Keynes and Phillips exploded at this act. Though Britain would begin to include both nations in sharing of later plans, Keynes felt personally betrayed by this act. Whites and Keynes proposals both went public in April 1943, though they would have to go through heavy refinement before they would resemble their final form in 1945. Despite what Britain and Keynes had desired, other nations would be involved and included in hammering out a final

[87] George T. McJimsey, *Documentary History of the Franklin D. Roosevelt Presidency, Vol. 41,* (United States: University Publications of America, 2001), 3. Steil, *The Battle of Bretton Woods, 168-171;* Papers of Henry Morgenthau jr.,Franklin D. Roosevelt Library, Hyde Park, box 505.

[88] Steil, *The Battle of Bretton Woods:, 99-105.*

agreement. Britain, financially crippled, and having given concession after concession for over two years now, simply submitted to this decision. In a last desperate attempt, when the invitations for the Bretton Wood Conference would be handed out, Britain attempted to contest the location. However, White outmaneuvered them by securing a Soviet agreement to attend.[89]

Asnel Luxford remarked that the greatest issue facing the group, was trying to find financial experts to assist, “It was primarily a problem of soul-searching on the part of the Treasury experts, as to how you would meet the various problems, how you would meet the political ones.” Memos from Morgenthau and White as early as 1943 show the pair sending cut outs of articles written by economists, asking if they could fit into assisting their plans. White made one thing known to his colleagues however, prior to Bretton Woods. The Fund aspect of his plan held far more importance than the World Bank.[90]

[89] Steil, *The Battle of Bretton Woods, 99-105*

[90] Luxford, Ansel F. Luxford, Oliver, Robert W., Oral history interview with Ansel Frank Luxford, Columbia Center for Oral History, July 13, 1961; Papers of Henry Morgenthau jr.,Franklin D. Roosevelt Library, Hyde Park, box 312; Helleiner, *Forgotten Foundations of Bretton Woods*, 103.

Chapter 3

By 1941, the lack of economic cooperation greatly contributed to yet another World War. The allies focused not only on winning the war in Europe but also on planning for a post-war peace that would eliminate the need for future conflicts. The White plan, merely remained a single tool in the system by in which to bind the war wounds that bled much of the world dry. Despite Britain's efforts to resist to an American-led system, their economic struggles eventually forced them to accept the terms. If one thing is to be known, it should be that Bretton Woods aimed to eliminate the self-destructive nature of nationalist driven economics, by containing the system to the restraint of an American guided plan. America remained the only power that remained untouched by both World Wars, and kept an infrastructure and economy that could foster and sustain the struggles that a post war world would look like.

In the previous chapter, the conflict between British and American planners on how the post-war handling of the economy would be dealt with. White had shown that the British economy no longer held the needed strength to support a global effort to restore monetary order, not support a rebuilding effort for the globe. Churchill and Roosevelt both exchanged several communications in the months leading up to Bretton Woods.[91] Though much of it is worded in tedious economic terms, Churchill repeatedly questions Roosevelt about how America will view Britain; wanting to be held in higher regard than that of Russia, or France.[92] The negotiations of Bretton Woods itself however, held its' own challenges. White had lifted much of the ground

[91] Papers of Henry Morgenthu, Jr., box 910.

[92] Papers of Henry Morgenthu, Jr., box 910.

work from the Inter-American Bank as mentioned prior, though it would be a difficult balance to get much of the IMF through.[93]

Due to the complexity of Bretton Woods, White, Roosevelt, and Morgenthau came to realize that passing this agreement would be rather daunting. Whenever Congress was informed of the progress, they showed a clear lack of understanding for its' importance.[94] The solution came two-fold, in what one of the advisors likened to 'flag waving' though this was not merely the only method of which to show support. Several dozen telegrams, printed on magazines, letters, and newspapers advertise the coming of Bretton Woods, as well as its' importance. To counter this, Roosevelt launched a large-scale operation with the Bretton Woods through groups like The Labor Conference for International Affairs, even the National League of Women Voters. West Union Telegrams, covered front to back in endorsements from Unions, Economists, and industries filled magazines and letter columns, declaring just how much support the Bretton Wood's Agreements would hold. Newspaper columnists also praise the new peace, some even commending Roosevelt for working with the Soviet Union.[95]

However, there were imped challengers who sought to undermine the arrangement. Robert Taft stood as perhaps the most visible opponent to Bretton Woods, but banks and senators alike formed together to try and derail the progress of the conference. Several large New York banks, secretly conspired to offer Britain a substantial loan if it would only recall its' ambassadors from attending the meeting. The Roosevelt administration drafted long lists of

---

[93] Steil, *The Battle of Bretton Woods, 210-216.*

[94] Steil, *The Battle of Bretton Woods, 210-216.*

[95] Steil, *The Battle of Bretton Woods,210-215;* International Monetary Fund Archives, Washington, D.C, Bretton Woods Conference Collection, Papers of Richard B. Brenner, boxes 1-6.

banks, representatives, and senators who held such ideas as March 1945, rolled out in discussions, preparing for counter arguments.[96] Reason being of course, that to its' critics, Bretton Woods represented the shackling of America to entangling alliances. They warned that America would be surrendering up its' gold reserve for worthless foreign currency. On the opposite side of the ocean, British politicians and economists alike had similar debates, though Keynes would attempt to give calm during a speech given on May 23, 1944, in the House of Lords:

> …I like this new plan, and I believe that will work to our advantage. Your Lordships will not wish me to enter into too much technical detail. I can best occupy the time available by examining the major benefits of the country may hope to gain from the plan; whether there are adequate safeguards against possible disadvantages. We shall emerge from this war, having won more than perhaps at any time in our history. The victory, the friendship, and the respect will have been won, because, in spite of faint-hearted preparations, we have sacrificed every precaution for the future in the interests of immediate strength with a fanatical single-mindedness which has had few parallels… what, then, are these major advantages that I hope from the plan to the advantages of the country? First it is clearly recognized and agreed that, during the post-war transitional period of uncertain duration, we are entitled to retain any of those war-time restrictions, and special arrangements with the sterling area an others which are helpful to us, without being open to the charge of acting contrary to any general engagements into which we have entered. Having this assurance, we can make our plans for the most difficult days which will follow the war, knowing where we stand and without risk of giving grounds of offence…Second, when this period is over and we are again strong enough to live year by tear on our own resources, we can look forward to trading in a world of national currencies.[97]

Keynes had been told by Churchill prior, not to get his hopes up. The rejection of his clearing house and of bancor had not stalled the vigor of his ideals, nor did he intend to simply arrive at the United Nations Peace and Economic Conference just to show facetime. To Keynes, his plan represented the final hope of Britain saving face in the court of economic affairs. The

---

[96] Steil, *The Battle of Bretton Woods:215-218;* International Monetary Fund Archives, Washington, D.C, Bretton Woods Conference Collection, Richard B. Brenner, boxes 1-6.

[97] *Bretton Woods Agreements,* 429-431.

Keynesian plan, sought to use the clearing house as a means by which better off nations would be held responsible by regulators to pay out their fair share. To Keynes, the great fault of the collapse of the Gold Standard laid not on the fault of Europe, but rather American banks.[98]

Britain rather, as Keynes and his associates likened to, conducted itself with intellect and tact in managing its' balances abroad. Whereas White intended to peg the gold standard back into use, Keynes wished for it to remain an artifact of the times. Though he would be far from the only one. Many British economists condemned what they viewed as an 'America Hegemony'. The reality of the situation did not change however, that by 1944 Great Brittan no longer resembled the power it had been two decades prior. Much of its' economy depended greatly on the support of American foreign aid. The Keynes Plan met outright rejection as White and the Roosevelt administration refused to surrender any American power to the purposed international order of Keynes' International Clearing Union. While Keynes attested that his plan would assist poor nations by placing responsibility on the nations that held a greater wealth. Though Keynes balked when he heard that America intended for Cuba to represent itself on the drafting committee, alongside Russia, China, Brazil, and Mexico, remarking that the nations "know little or nothing of international finance".[99] Regardless of what he may have believed, Keynes came to view the bank as something he wanted to protect from the committee at Bretton Woods; due to it containing ideas composed from his clearing house.[100]

---

[98] Carter, *Price of Peace*, 357-361. Ed Conway, *The Summit: Bretton Woods 1944*. (Pegasus Books, 2015), 6-10
.

[99] Carter, *Price of Peace*, 357-361. Helleiner, *Forgotten Foundations of Bretton Woods,* 208-226. Harold James, *International Monetary Cooperation Since Bretton Woods*. (United Kingdom: International Monetary Fund, 1996), 52-55.

[100] Carter, *Price of Peace*, 357-361. Helleiner, *Forgotten Foundations of Bretton Woods,* 208-226.

Two and a half years of planning came together on July 1st, 1944 in New Hampshire. The Mount Washington Hotel had been selected, over the originally suggested sites of Washington D.C. and New York City. John Maynard Keynes objected strongly in correspondence as to the location, given to ill health he had suffered from. Recalling memories of the dreaded Washington visit over land lease three years prior, he warned: “For Gods’ sake do not take us to Washington in the July, which should surely be the most unfriendly act”. He would later confide to White in private, that he Maine or New Hampshire would prove to be the ideal of the two environments. The site chosen, would be Bretton Woods New Hampshire, in the Mount Washington Hotel.[101]

The Mount Washington Hotel, stood as an old structure from the time of the Gilded Age, it would prove to be the site of a very eventful three-week conference. A week prior to the conference, the Americans invited fourteen delegates to the Claridge Hotel in Atlantic City to afford for a week of pre-drafting. [102] While Ansel Luxford provides insight into a chaotic week froth with edits and tweaking to finalize proposals, the true debacle would be upon the arrival of the delegates to the Mount Washington Hotel.[103]

The first issue to arrive as guests amassed at the Mount Washington, would be that not all the rooms were ready. Several conference rooms were lacking in stenographers, and just narrow held enough chairs for the entire amassing of the conference attendees. To make matters worse, the taps for the hotel emitted a strange brown liquid, and much of the new plumbing simply did not work. To try and compensate, the Roosevelt administration had thousands of Coca-Cola cases shipped to the hotel, but Keynes’ wife Lydia and several other delegates did not find this to

---

[101] Conway, *The Summit*, 6-10.

[102] Conway, *The Summit*, 6-10.

[103] Steil, *The Battle of Bretton Woods:215-218*, Conway, *The Summit:*. 9-13

be an amendable gesture. Keynes witnessed his plan for the International Credit Union be tossed aside by Americans, so for this conference now that he was appointed to head talks of the World Bank, he was determined not to give an inch.[104]

The nature of the conference however, did not go over well with Keynes. Though he presided over the conference regarding the World Bank, Keynes took to rushing through the commission hearings in a way that Acheson referred to as, "…being rushed in a perfectly impossible and outrageous way." He would go on to describe it in detail:

> Now that comes from the fact that Keynes is under great pressure. He knows this thing inside out so that when anybody says Section 15-C he knows what it is. Nobody else in the room knows. So, before you have an opportunity to turn to Section 15-C and see what he is talking about, he says, "I hear no objections to that," and it is passed. Well, everybody is trying to find Section 15-C. He then says, we are now talking about Section 26-D. Then they begin fiddling around with their papers, and before you find that, it is passed.[105]

There also came an issue of how much of a borrowing amount each nation would be allowed to occur. To Europeans, the distinguishment of earning a higher margin of loanable amounts became something of a rivalry. China demanded that it be ranked forth, above France but under America, Russia, and Britain. Russia attempted to argue for decreasing its' amount of put forth, but being allowed to increase the borrowing amount offered to it. France demanded that it be given a higher status than China, and India insisted that it be held to the same level of borrowing credit as China. The Soviets only complicated matters further, by suggesting that war damages be added to the calculation for the borrowed amount allowed; a problem that led to an argument within the American delegation.[106]

---

[104] Conway, *The Summit*, 9-13.

[105] Steil, *The Battle of Bretton Woods,215-218.*

[106] Steil, *The Battle of Bretton Woods,* 210-218.

After the Bretton Woods Conference however, that complications arise with the execution of the IMF and World Bank plans. Aside from the battle that would soon occur within Congress between Harry White, Henry Morgenthau, and Robert Taft, the FBI began to investigate White for possible communist connections.[107] “Russian is the first instance of a socialist economy in action, and it works!” White had once written. This admiration for the Soviet economic system would later prove to be the downfall of Harry Dexter White, though it would not fully settle in until after the Second World War.[108] White had initially been nominated to become the head of the IMF, though questions about his loyalty soon saw his position be seized, and his reputation become tarnished. Ultimately, the Bretton Woods System never came to full fruition, due to the Cold War unfolding after World War Two.[109] The Yalta Conference of 1944, left many of its’ participants rather hopeful for the world that awaited upon the end of the Second World War.

Despite protests from some of his state department, Roosevelt had made every effort to impress upon Stalin, that America sought to bring the Soviet Union into the international community. Though not everyone in the Roosevelt administration sought to take this path forward. In time, McCarthyism would see out members of Roosevelts administration that sought to cooperate with the Soviets [110]

Harry Dexter White would be one among many that the Truman Administration would see depart. Henry Morgenthau resigned in a fit of rage after Truman rejected his plan to appease the Soviets regarding the disarmament of Germany. Without Morgenthau, White would find his

---

[107] Steil, *The Battle of Bretton Woods,* 215-218.

[108] Steil, *The Battle of Bretton Woods,* 215-218.

[109] Steil, *The Battle of Bretton Woods,* 5-8. Helleiner, *Forgotten Foundations of Bretton Woods,* 260-263

[110] Schild, *Bretton Woods and Dumbarton Oaks,* 178-182. Helleiner, *Forgotten Foundations of Bretton Woods,* 260-266

influence in the Truman Whitehouse to begin to diminish.[111] Harry Dexter White would never see the full scope of his plan, as by 1947 he had passed from a heart attack. With the start of the Cold War, the hunt for communist idealists became a fixation for some in the US Government. White, who had been accused of being too soft on the Soviets for several years, was taken to court and accused of espionage. The downfall of White however, had started years prior, though if he had any awareness to it went without his mention.[112]

On October 30, 1944, John Bricker neared the end of his second term of Ohio governor. His party, the Republican Party, were being absolutely crushed in the polls however. Thomas Dewey of New York posed no threat to Roosevelt, and there seemed no stopping FDR from easily sailing into yet another presidential election. Bricker, who tired of Dewey being too 'polite' with challenging Roosevelt, elected for another tactic. Before a crowd of fifteen thousand at Olympia Stadium in Detroit, Bricker decided to just rail against FDR. Fired up with accusations of communist infiltration and plots, Bricker condemned Roosevelts foreign and domestic policy. He lamented that "Franklin Roosevelt and the New Deal are in the hands of radicals and the communists", and that the Roosevelt administration and Congress of Industrial Organizations were aiming to destroy the American way of life as they know it.[113]

Bricker's speech would be broadcasted nationwide, as he called out several individuals behind this plot. Those names being Craig Vincent, Arthur Goldschmidt, Robin Kinkead, Thomas I. Emerson, Gene Mangion, Gregory Silvermaster, and Lauchlin Currie. According to

---

[111] James, *International Monetary Cooperation Since Bretton Woods*, 68-71. Helleiner, *Forgotten Foundations of Bretton Woods*, 260-265.

[112] Carter, *Price of Peace*, 357-361, 387-392.

[113] Carter, *Price of Peace*, 357-361, 387-392. Steil, *The Battle of Bretton Woods*, 291-295. Schild, *Bretton Woods and Dumbarton Oaks*, 187-189.

Bricker, there were over 1,117 more of these ‘traitors’ hiding in the administration of Roosevelt. Though many of these names proved to not hold up, Currie ultimately did. Currie had worked on Land-Lease deals with Keynes, and even though Keynes lauded the idea of Currie being a communist, it did not save him. Currie had met with Grogory Silvermaster, and Harry White both.[114]

This happenstance, would spell the doom of all three men. Unknown to White and Currie, the FBI received information from two separate sources informing them of Communist agents working within the Roosevelt administration. Two individuals, one Elizabeth Bently and Whittaker Chambers, claimed White knowingly and purposely shared classified information with the Soviet Union behind the backs of the Roosevelt administration. Whittaker attempted as early as 1939 to alert the FBI to White, though it took the involvement of FBI Head Edgar G. Hoover to act upon it. President Truman became alerted to the investigation in 1946, two weeks after he had appointed White as head of the IMF. Though it meant very little, as he met with several members of Congress and his own cabinet on how remove White from his position, without arousing suspicion. White would be forced out of office in 1946, something that Keynes found disappointing and rather disturbing. He had remarked to colleagues that without White, he felt uncertain about the future of the IMF, having believed that White best qualified to head it.[115]

The anticommunism fixation of the American right, would not stop with just Harry Dexter White however. Joesph McCarthy has his name associated with McCarthyism, but the idea existed several years before he took off. New Deal intellectuals face muffled condemnation from a new field of critics, composed of neoliberals, corporate elites, and likeminded political

---

[114] Carter, *Price of Peace*, 357-361. Steil, *The Battle of Bretton Woods*, 291-298.

[115] Carter, *Price of Peace*, 357-361, 387-392. Steil, *The Battle of Bretton Woods*, 291-298.

figures. Merwin K. Hart, a cooperate lawyer would become one of them, but Rose Wilder Lane would become his partner in their idealistic crusade. In 1947, after a publication by Keynes student Lore Tarshis, the pair took to comparing Keynesian economics to Communist idealism.[116]

Lane, who once wrote an argument against women having the right to vote, accused Keynes of being tainted by Marxist ideology. Together, she and Hart embarked on a campaign to have the book, *Elements of Economics,* removed from universities. Clarence Brown of Ohio, quested Tarshis be placed under investigation by the Committee on Un-American Activities.[117] The large issue in his plan, of abscess spending by the US would in fact, come true in the late 1960's spelling the end for the Bretton Woods system. [118] With the coming of the Cold War in 1945, the United States would see its' presence spread in ways that White and the Bretton Wood attendees had not intended for.[119]

That being, the rise of tensions between the Soviets and the United States. Luxford would go on in this interview, to point out the one miscalculation that the IMF and World Bank had failed to account for:

> …it's foolish to talk about the miscalculation in terms of the Bank and the Fund. They were part of a calculation of how much can we possibly get through these avenues, assuming we can hold Lend-Lease for a further postwar period, and we have UNRRA and Food and Agriculture and Commodities, etc., coupled with the real miscalculation made at Bretton Woods and in the planning at Bretton Woods, which was what we didn't know that we would have a cold war. The problem of the rehabilitation of the war-torn areas might have been very substantially different, if you had had the participation and cooperation of the Communist-controlled areas in particular, the resources that we were

---

[116] Carter, *Price of Peace*, 371-380, Stien, *Battle of Bretton Wood*s, 318-324.

[117] Carter, *Price of Peace*, 371-380.

[118] Carter, *Price of Peace*, 371-380.

[119] Carter, *Price of Peace*, 357-361, Steil, *The Battle of Bretton Woods,* 291-298.

> having to plow into preparing ourselves to defend ourselves against that war were the very resources that could have been used to rebuild these war-torn areas. But in terms of the unanticipated development, that's the one that I put my finger on as being the most significant.[120]

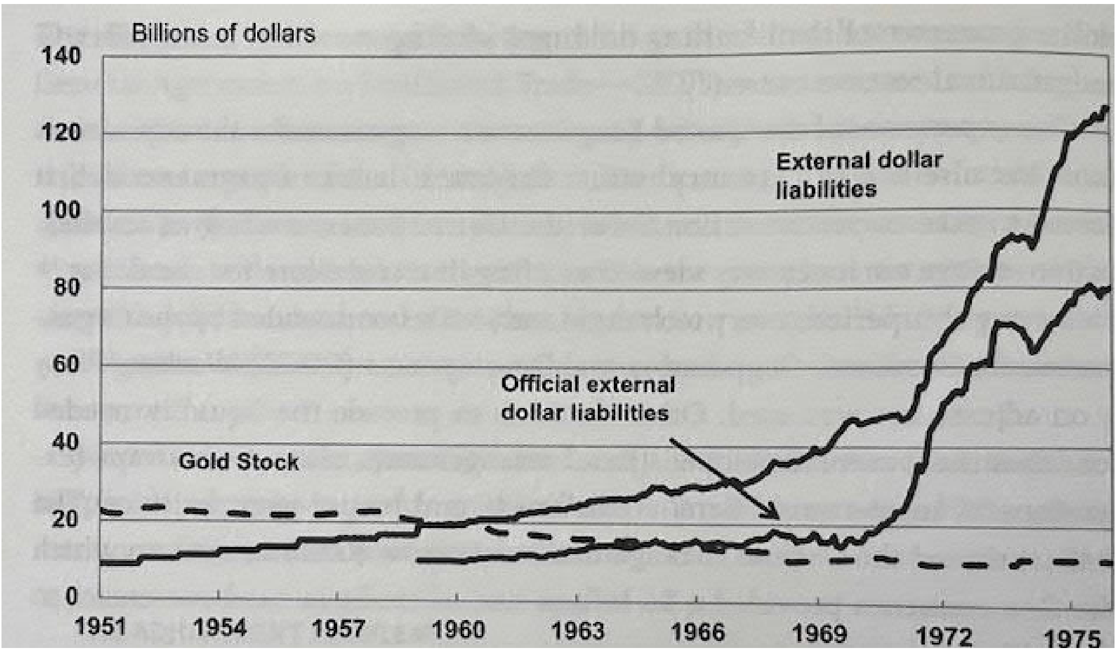

Figure 9 *Liabilities compared to US Gold Stock.*[121]

The Cold War would in time sabotage the Bretton Woods System, going back to the key flaw in White's initial plan; excess spending by America would compound and inflate currency for members of the Fund. The Cold War saw an increase in defense spending, which only served to undermine the participants of the IMF. By the time the Bretton Woods System finally comes apart in 1971, much of it had been kept in place by American pressures on European nations, keeping them from merely buying out all their accumulated gold.[122]

By the end of the 1960's, the Bretton Woods System could no longer function. Some criticize that the Bretton Woods system failed to even take effect until the 1950's, after European

[120] Oral history interview with Ansel Frank Luxford.

[121] *Bretton Woods Agreements*, 224.

[122] Eichengreen, *Golden Fetters, 394-396. Bretton Woods Agreements, 217-233.*

nations restored their currency convertibility in 1958. To others, it shows that such a system lacked a means to truly liberate the world with free trade. Though problems began to be seen as early as 1945. The Soviet Union held off on wanting to join the Bretton Woods system, despite being offered over a billion in potential loans from the proposals. Harry White had once written, perhaps to his own detriment that “It matters little what our political relationships with England become, or what happens in the Balkans or Far East if the problems between the United States and Russia can be solved.” To Stalin, perhaps due to the gradual decay of Soviet and US relations, joining the IMF and Bretton Woods would only serve to give America an advantage over his nation.[123] In secret Stalin discussed his own economic policy, looking to devaluate the ruble with his financial ministers. In December of 1945, the treasury department would be rattled by the Soviet rejection of Bretton Woods, their reply consisted of four points:

1. The U.S.A did not offer the USSR a credit and in this situation their membership could be read as a weakness.

2. The U.S.S.R. as a member of the bank the U.S.S.R would assume liability for borrowings of other states, and in case of inability or willingness to repay, the U.S.S.R would share the burden.

3. The gold from the U.S.S.R would bring into the Fund and the Bank can be taken and use for technical operations carried out by the Fund and the Bank.

4. The U.S.S.R. would wait and monitor the work of the IMF and how it interacts, to find the most convenient time to join the IMF and World Bank.[124]

[123] James, *International Monetary Cooperation Since Bretton Woods*, 65-73.

[124] James, *International Monetary Cooperation Since Bretton Woods*, 68-71.

George Kennan would inform the treasury department of this, much to their dismay, though things would only worsen for Bretton Woods in 1946. After the resignation of Henry Morgenthau, a meeting between the board of governors for the World Bank met in Savanah Georgia. Keynes came to this meeting, feeling optimistic. Though the feeling would be short lived. White had initially been selected to serve as the first president of the World Bank, but by this point in March 1946 he had been forced out and remained under FBI investigation for his 'communist leanings'. Without Roosevelt, Morgenthau, or White, much of the New Deal ideology that composed the IMF and World Bank fell to the wayside.[125] Luxford attributes the collapse to the early cancelation of land-lease and how it created a gap in support for Europe that the fledgling Bank and Fund-lacking in leadership and organization- could not pick up, and given the changes of 1946, it hints to a corrosion of what the Bretton Woods system aimed to be. It rather began a victim of Cold War and Anti-Communism fervor, that a aggressive American foreign policy focus began to undermine.[126]

In the 1950's under the call to confront communism, more conservative leadership took to heading the IMF. Men like Harry Dexter White would be labeled as communist sympathizers, thrown from office, or pressured into resignation. Across America, several groups attempted to undermine and condemn Keynesian economics as communist ideas, and though they lacked the real power to stall or stop Bretton Woods, it did leave several Keynesian economists on the defensive against critics all too eager to label them as a Communist.[127] To the executive branch, the IMF became another extension of which to battle communism with. The entire premise of

---

[125] Eichengreen, *Golden Fetters, 394-396;* James, *International Monetary Cooperation Since Bretton Woods*, 70-75.

[126] Oral history interview with Ansel Frank Luxford.

[127] Carter, *The Price of Peace*, 380-392.

Bretton Woods to help develop an improve on poorer nations became misbegotten. Nations that had looked to use the World Bank and IMF to try rebuilding and modernizing their nations, found the United States lacking in the commitments, focused instead on foreign interventions against Communist invaders.[128] Luxford remarks on the poor preparation of the IMF to tackle reconstruction efforts in the post- war:

> The Bank properly and early took the position that it couldn't meet the problems of reconstruction in terms of the need in the postwar period, having Lend-Lease cut off on the one hand and the cold war on the other. And it really saw no reason to make a loan where there was not sufficient resources to make the economy viable, and that was the problem. We were dealing with it in large parts of Europe. The need for Marshall Plan aid was obvious, but that called for real soul searching on the part of the Bank. I think McCloy did a -- I compliment him on his speech there. He urged the Congress not to make fuzzy loans that would only undermine the ability of the Bank to make loans subsequently; what they needed was in effect grants.[129]

The US had its' fair share of issues in regards to Bretton Woods, aside from the lack of strong leadership without White being present, the IMF faced an uphill battle. To start, bilateralism for most countries, had expansive exchange control rates and controls on their international trade. The reason being for this, laid in the lack of resources many Asian and European nations had due to the cost of the Second World War. The Dollar Shortage became another debacle [130]

[128] Helleiner, *Forgotten Foundations of Bretton Woods*, 265-270

[129] Oral history interview with Ansel Frank Luxford.

[130] *The Bretton Woods Agreements*, 219-224. Steil, *Battle of Bretton Woods*, 303-310.

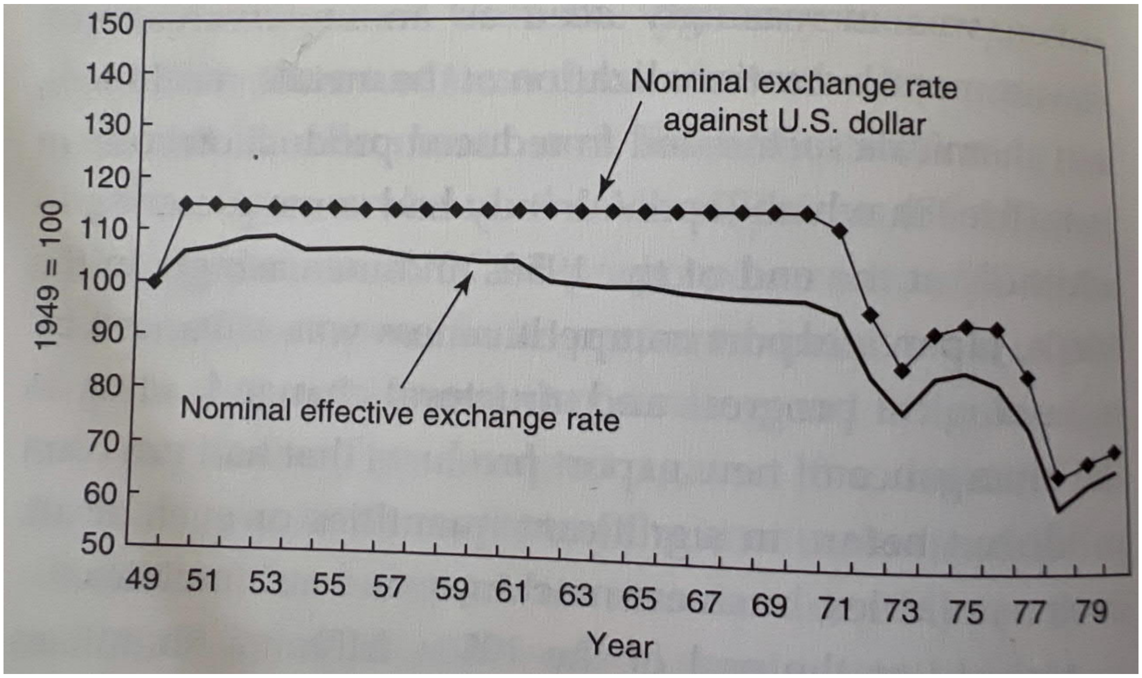

Figure 10 Exchange Rate compared to the US Dollar[131]

Despite calls to address and try to correct it since the 1970's, there has been no work done to rework an economic system to create economic stability. Bretton Woods attempted to find a solution between the conflict of domestic autonomy and international stability. While on paper, White's plan did favor, and led to an American led and centralized group, the notion involved forty-six nations all being united in the joint venture. Bretton Woods as it intended to be implemented, endeavored to strip power away from the nationalist leaders such as had been the case within Nazi Germany and Imperial Japan, that mutual and beneficial economies could be shared through a global cooperation. Primarily, Bretton Woods aimed to control the structural balance of payments disequilibria that would be corrected by exchange-rate movements. To

[131] Barry Eichengreen, *Global Imbalances and the Lessons of Bretton Woods*, (The MIT Press, 2001), 86.

avoid the trade debacles of the 1920's and 1930's, there would be surveillance on the movement of currency and exchange rates.[132]

Until the 1970's, this system would convert over to what economists dub a 'non-system'. By doing this, the IMF would no longer monitor the exchange rates, rather leave it up to each country as to how they wished to carry out their conversions. Though there have now been questions as to how effective the IMF has been in serving in this role. Issues that arrive include:

- The US able to undertake measure to reduce its' own fiscal and balance payment deficits.
- Persuading EU countries to tackle labor market issues and other economic strains that limit GDP growth.
- Implement measures to correct growing payment imbalances between China and other Asian countries.
- The US being able to reduce the impact of dollar depreciation on other markets
- To prevent financial crises from breaking out in emerging markets.[133]

As mentioned in prior chapters, the uptick of nationalism, only spurred, and indeed worsened the economic conditions of the 1920's and 1930's.134 Primarily in regards to Asian markets, the IMF in modern times struggles to keep up due in part to the depreciation of the US dollar, paired with the large expansion of Asian nations in regards to their goods. Luxford mentions the Marshall Plan as having been needed due to the slow start of European recovery, and it did indeed help bolster a European economy that in the late 1940's struggled

---

[132]Ariel Buria. *The IMF and the World Bank at Sixty*, (Anthem Press, 2005), 8-12.

[133] Buria. *The IMF and the World Bank at Sixty*, 8-12.

[134] Gilpin, *The Political Economy of International Relations*, 131-134.

to make ends meet. The trouble is, as Luxford alludes to, the IMF did not come equipped to assist in post war recovery.[135]

The death of Franklin Roosevelt provides an opportunity for those who disagreed with his stance towards the Soviet Union. As Truman settled into his new role as president it represented the changing of the guard for policy makers. Ansel Luxford, who worked as an aide during the Bretton Woods Planning Process, mentions this change that impacted the White House after Roosevelts passing. From what he shares, Truman taking up the mantle of President resulted in large deviations from the original post-war peace:

> ….at that time the Treasury was right
> in the heart of financing the liberated countries. You had the
> Army, you had Lend-Lease, UNRRA was being planned by another
> group of the Treasury with State Department people right there.
> These were not regarded as single items. You had Lend-Lease on
> the one hand. You had UNRRA, you had Food and Agriculture --
> each one of these, if you'll note back in the first Bank drafts,
> were commodity stabilization proposals also. But people who --
> and I've heard this many times in this Bank and elsewhere -- look
> what they regarded as the magnitude of the redevelopment problem
> in the postwar period, or reconstruction problem. But all those
> things failed to understand the pattern. The most shocking thing
> that happened in this country, following the death of Franklin
> Roosevelt, was the stupid announcement that we were terminating
> Lend-Lease. It fell like a ton of bricks on everyone that had. been working.
> We had no idea that the Bank was going to take
> over and do the job that had been done by Lend-Lease. This was

[135] Buria. *The IMF and the World Bank at Sixty,* 8-12; *Bretton Woods Agreements,* 218-224

> one of the problems of an unanticipated change in government. Roosevelt's death permitted people who had previously had nothing to do, in terms of working in this field, to move in and express their own particular views on an opportunistic basis….[136]

By the time of the Korean War, less than five years after Bretton Woods is passed, already economists begin to call it a failing.[137] An article written by Charles Kindleberger in 1951, calls out the system for its' difficulties:

> By the unfair test of maximum hopes, the Fund and the Bank have clearly failed. The wartime international economic conferences, at Hot Springs and Bretton Woods, drew simple and grand designs for the post- war world. With a relief and rehabilitation agency (UNRRA) to manage the immediate postwar period, the world economy could be set to rights essentially by two lending and two control agencies. The Food and Agricultural Organization would operate within its particular sphere which needed special handling. For the rest, the world economy could be set and kept in balance by an international bank to handle immediate and long-run capital needs, a fund to correct exchange instability and to tide countries over temporary difficulties, and a trade organization (ITO) to make rules for the conduct of commerce. ITO would not need loan- able funds. The International Bank would have some $8 billions at its disposal, plus borrowing capacity; the Fund another $8 billions. To be sure, if one looked simply at the United States dollars at the disposal of the lending agencies, the total of $16 billions without borrowing capa-city had to be marked down to some $6 billions representing United States subscriptions, plus a gold and dollar portion of those of other countries.[138]

Kindleberger shows that, perhaps to something Robert Taft lamented, the aid given by America far exceeds anything given by the UN, the World Bank, or the INF.

The scale of the postwar recovery problem was thus underestimated at Bretton Woods. By June 30, 1950, it is estimated that United States expenditures since the surrender of Japan, amounted

---

[136] Oral history interview with Ansel Frank Luxford

[137] Buria. *The IMF and the World Bank at Sixty*, 8-12; *Bretton Woods Agreements,* 218-224; Charles P. Kindleberger, *International Organization, Vol. 5, No. 1* (Feb., 1951), 32-47.

[138] Kindleberger, *International Organization, Vol. 5, No. 1*, 32-47.

to $42.5 billions, consisting of military and foreign aid. Of the 42.5 billion, only $6 billion represented contributions to UNRRA and subscriptions to the Bank and Fund. Kindleberger lays the blame for this on Europeans trying to quickly resume their lifestyles, without thinking of the ramifications it would bring. The reality of the problem though, is a bit more complex.[139]

The IMF never aimed to tackle the enormity of the post-war reconstruction. It only represented a currency stabilization effort. Nor did it help that some nations broke the agreed upon articles, and lost access to the IMF. France in 1948, broke article IV, devaluing the franc and created a multiple-exchange rate system. While France would be denied access to the fund for four years, the Marshall Plan made it in effect, that the Fund's actions meant nothing. The new obsession for communism brought with it funding from the US government to try and develop nations, rather than through the systems composed of by New Dealer idealists. Compounding issues regarding the Stirling in 1947 along with the Marshall Plan, would undersee authority of the IMF and the World Bank be replaced by US intervention. By 1952, members of the IMF lamented that the fund had failed to achieve its' goals toward multilateral trade and currency convertibility. Bretton Woods would continue however, and Europe would see itself recover; though the world economy by 1960 differed wildly from the past two decades.[140]

The death of Bretton Woods would be finalized in 1971, by the choice of Richard Nixon. In 1950, Nixon took to the floor of the House waving documents he claimed proved Harry White to have been a communist; documents he claimed to have been hiding snice 1948. Now, in 1971,

---

[139] Kindleberger, *International Organization, Vol. 5, No. 1,* 37-47; *Bretton Woods Agreements,* 218-222; Stiel, *The Battle of Bretton Woods*, 322-324. Congressional Record, Proceedings and Debates of the 79th congress 1st session vol.91, no.46, March 12, 1945. Michael T. Hayse, "The Republican Road Not Taken: The Foreign-Policy Vision of Robert A. Taft." *The Independent Review* 8, no. 4 (2004): 509–25.

[140] *Bretton Woods Agreements,* 218-222. Stiel, *The Battle of Bretton Woods*, 328-333.

he would announce the end of the Bretton Woods system. Years prior, America expanded its' foreign policy to wage a global war against Communism.[141] Now, after the failure of the Vietnam War, and European allies growing frustrated by the compounding issues of inflation, Nixon finally pulled the plug on the Gold Standard. In what would be titled "The Challenge of Peace", he outlines his new economic policy for the nation:

> I have addressed the nation of times over the past 2 years on the problems of ending a war. Because of the progress we have made toward achieving that goal, this Sunday evening is an appropriate time for us to turn our attention to the challenges of peace…Prosperity without war require action on three fronts: We must create more and better jobs; we must stop the rise in the cost of living; we must protect the dollar from the attacks of international money speculators.[142]

Only through the wide spread devastation brought upon the world by 1944, were other nations willing to set aside their own agendas, and endeavor to truly know peace in their time. Bretton Woods sadly, would never get such a chance. Even though Bretton Woods may have not fully been realized, it did show provide a groundwork for Keynesian' policy makers to understand a framework of international cooperation as being possible. Perhaps in the future, there can be an honest effort to try and restore what Bretton Woods aimed to be.[143]

---

[141] *Bretton Woods Agreements,* 458-462.

[142] *Bretton Woods Agreements,* 458-462.

[143] Gilpin, *The Political Economy of International Relations*, 131-134. Helleiner, *Forgotten Foundations of Bretton Woods,* 265-270

Bibliography

International Monetary Fund Archives, Washington, D.C, Bretton Woods Conference Collection, Papers of Ansel Luxford, boxes 7-25.

International Monetary Fund Archives, Washington, D.C, Bretton Woods Conference Collection, boxes 26-39, 47-65.

International Monetary Fund Archives, Washington, D.C, Bretton Woods Conference Collection, Edward M. Bernstein Papers, boxes 40-46.

International Monetary Fund Archives, Washington, D.C, Bretton Woods Conference Collection, Papers of Richard B. Brenner, boxes 1-6.

Luxford, Ansel F. Oliver, Robert W., Oral history interview with Ansel Frank Luxford, Columbia Center for Oral History, July 13, 1961.

Franklin D. Roosevelt Library, Hyde Park, Roosevelt, Franklin D. Papers as President, box 0

Franklin D. Roosevelt Library, Hyde Park, United Nations Monetary & Financial Conference box 0

Franklin D. Roosevelt Library, Hyde Park, Papers of Henry Morgenthu, Jr., boxes 38, 262, 293, 312, 394

Congressional Record, Proceedings and Debates of the 79th congress 1st session vol.91, no.46, March 12, 1945.

Gold and Monetary Stabilization, Harris Foundation Lectures, University of Chicago Press, 1932

Cassel, Gustav, *Money and Forign Exchange after 1914*, Macmillian Company, 1930.

Kindleberger, Charles P. *International Organization, Vol. 5, No. 1* (Feb., 1951), 32-47.

McJimsey, George T. Documentary History of the Franklin D. Roosevelt Presidency. United States: University Publications of America, 2001.

Wallace, Harry, *A. Century of the Common Man, 1942.*

Secondary:

Ahamed, Liaquat. *Lords of Finance: The Bankers Who Broke the World*. United Kingdom: Penguin Press, 2009.

Bretton Woods Agreements: Together with Scholarly Commentaries and Essential Historical Documents. United States: Yale University Press, 2019.

Boughton, James, *Why White, Not Keynes? Inventing the Post-War International Monetary System*, 2002, IMF Working Paper 2002/052

Buria, Ariel. *The IMF and the World Bank at Sixty*, Anthem Press, 2005

Carter, Zachary D. *The Price of Peace: Money, Democracy, and the Life of John Maynard Keynes*. United Kingdom: Random House Publishing Group, 2021.

Clavin, Patricia. *The Failure of Economic Diplomacy: Britain, Germany, France and the United States, 1931-36*. Macmillan Press, 1996.

Conway, Ed. The Summit: Bretton Woods 1944. Pegasus Books, 2015.

Eichengreen, Barry J. *Golden Fetters: The Gold Standard and the Great Depression, 1919-1939.* United Kingdom: Oxford University Press, 1996.

Eichengreen, Barry. *Global Imbalances and the Lessons of Bretton Woods*, The MIT Press, 2010.

Fortescue, William. *The Third Republic in France 1870-1940 : Conflicts and Continuities*. Routledge Sources in History. New York: Routledge. 2001.

Helleiner, Eric. *Forgotten Foundations of Bretton Woods: International Development and the Making of the Postwar Order*. United Kingdom: Cornell University Press, 2014.

Gilpin, Robert, *The Political Economy of International Relations*, Princeton University Press, 1987.

Irwin, Douglas A. *Trade Policy Disaster: Lessons from the 1930s*. Ohlin Lectures Series. MIT Press, 2012.

James, Harold. *International Monetary Cooperation Since Bretton Woods*. United Kingdom: International Monetary Fund, 1996.

Jones, Byrd L. “The Role of Keynesians in Wartime Policy and Postwar Planning, 1940-1946.” *The American Economic Review* 62, no. 1/2 (1972): 125–33.

Kirshner, Jonathan. *Appeasing Bankers: Financial Caution on the Road to War*. Princeton University Press, 2007. http://www.jstor.org/stable/j.ctv36zpms.

Keynes, John Maynard, *A Tract on Monetary Reform*, Macmillan and Co, London, 1923.

Polanyi, Karl. *The Great Transformation: The Political and Economic Origins of Our Time*. United Kingdom: Beacon Press, 2001.

Schild, Georg. *Bretton Woods and Dumbarton Oaks: American Economic and Political Postwar Planning in the Summer of 1944.* University Press of America, 1983.

Simmons, Beth A. *Who Adjusts? Domestic Sources of Foreign Economic Policy during the Interwar Years.* Princeton: Princeton University Press, 2020. muse.jhu.edu/book/73612.

Steil, Benn. *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order*. United Kingdom: Princeton University Press, 2013.

Williams, William Appleman. *The Contours of American History*. United States: Quadrangle Books, 1966.