

LONDON SCHOOL OF ECONOMICS AND
POLITICAL SCIENCE



Engineering of Global Monetary Orders:
Gold's Role Within the Bretton Woods System

Aisenour Bitsen

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of the London School of Economics and Political Science for the
degree of Doctor of Philosophy, London

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Abstract

How do we explain the role designated for gold within the Bretton Woods system? At the time of the negotiations, economic scholarly opinion was already turning away from gold. It is a puzzle, therefore, that gold was designated a key role in the Bretton Woods system. The Bretton Woods regime could have unfolded in many ways: the system could have been less gold-centric while still complying with US interests. A different approach could have prevented the calamities of the gold standard. Among the proposals, the key currency could even have been *bancor*, yet fashioned in a way that maintains US ascendancy. Why did we have a gold-centric standard in 1944?

This project focuses on the creation of the Bretton Woods system with a focus on gold. It looks at the economic ideas and strategies of two key negotiators, Harry Dexter White and John Maynard Keynes, to emphasize a unipolar monetary world order (White's plan) versus a multipolar one (Keynes's plan). It also studies on-the-ground negotiations at the Atlantic City Conference directly preceding the Bretton Woods, and the Bretton Woods Conference itself. I trace the role of gold, bearing in mind agency versus structure – that is, the role played by pivotal individuals and their ideas versus structural disparities and powers between the countries they represent (G. John Ikenberry versus Richard Gardner). I also consider the singular versus multilateral origins of the Bretton Woods (Benn Steil versus Eric Helleiner). This study aims to reconsider the intellectual underpinnings of the Bretton Woods system; it also draws generalizable insights into how monetary systems get designed, and if and how critical agents at these key moments exert agency.

Two key questions emerge here. First, why White? Second, why focus on gold? White's role before and during the negotiations warrants scrutiny. As the Director of Monetary Research, Assistant to the Secretary, and the person in charge of the Bretton Woods drafting and international economic policymaking, White was the most significant individual working at the US Treasury at the time. He was also a member of Secretary of the Treasury Morgenthau's "9:30 staff", which consisted of senior officials at the Treasury who briefed Morgenthau daily. While the world was in flux and the opportunity for a change arose, White's ideas became consequential. Morgenthau stated, "He will be in charge of all foreign affairs for me... I want it in one brain and I want it in Harry Dexter White's brain."¹ White agreed with Keynes on a number of issues, but the differences in their ideas proved consequential during the construction of the Bretton Woods regime.

The Bretton Woods system's focus on gold is puzzling given the existence of alternatives. For one, the challenges of gold in international economic systems were already understood at the time.² Further, some economists suggested breaking the link between gold and the reserve currencies.³ Successful experiments had already shown that an external standard wasn't needed to stabilize currencies.⁴ For instance, the Tripartite Agreement of 1936 stabilized currencies in relation to one another, while in the sterling area, currencies were stabilized in relation to the pound, meaning that they were "pro-gold-free" arrangements.⁵ This thesis hence aims to answer why gold was designated such a role in the Bretton Woods system.

¹ Skidelsky, R. (2000). *John Maynard Keynes: Fighting for Britain 1937-1946* (Vol. 3). London: Macmillan, 239.

² Lamoreaux, N., & Shapiro, I. (2019). "Introduction." In N. Lamoreaux & I. Shapiro (Eds.), *The Bretton Woods Agreements*. New Haven, CT: Yale University Press, 1-18, 7.

³ Ibid.

⁴ Ibid.

⁵ Eichengreen, B. (2019). "The Monetary Role of Gold as the Original Sin of Bretton Woods". In Lamoreaux & Shapiro (Eds.), *The Bretton Woods Agreements*, 38-55, 43.

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Engineering of Global Monetary Orders: Gold's Role Within the Bretton Woods System

Chapter I: Introduction and Literature Review

“It is quite possible that some day some scholar will want to write on Harry as an economist.”¹

– JACOB VINER, March 1951.

“The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas.”²

– JOHN MAYNARD KEYNES, 1936.

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This project focuses on the creation of the Bretton Woods system with a focus on gold. It looks at the economic ideas and strategies of two key negotiators, Harry Dexter White and John Maynard Keynes, to emphasize a unipolar monetary world order (White's plan) versus a multipolar one (Keynes's plan). It also studies on-the-ground negotiations at the Atlantic City Conference directly preceding the Bretton Woods, and the Bretton Woods Conference itself. I trace the role of gold, bearing in mind agency versus structure – that is, the role played by pivotal individuals and their ideas versus structural disparities and powers between the countries they represent (G. John Ikenberry versus Richard Gardner). I also consider the singular versus multilateral origins of the Bretton Woods (Benn Steil versus Eric Helleiner). This study aims to reconsider the intellectual underpinnings of the Bretton Woods system; it also draws generalizable insights into how monetary systems get designed, and if and how critical agents at these key moments exert agency.

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¹ Letter from Professor Jacob Viner to White's widow, Mrs Anne Terry White, March 8, 1951, in *Hearings, Reports and Prints of the Senate Committee on the Judiciary, Part 20*. US Government Printing Office, Washington, DC. 1954.

² Keynes, J. M. (1936). *The General Theory of Employment, Interest and Money*. London: Macmillan, 383.

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Previous Explanations

Several European conferences held in 1920, 1922, 1927, and 1933 (in Brussels, Genoa, Geneva, and London, respectively) acknowledged that governments were increasingly important in monitoring economic activity. Such conferences "introduced the element of negotiation and bargaining over economic issues on a multilateral basis into the international realm."⁸ Although in many ways the conferences were failures, they foregrounded the Bretton Woods negotiations because they showed governments the advantages and disadvantages of economic negotiation. These conferences therefore anticipated the Bretton Woods.

Given this background, Bretton Woods was unique in that 44 countries came together to establish a full-fledged international monetary system by means of diplomacy. After the failure of the London Economic Conference of 1933, Bretton Woods was a watershed in that economists were negotiating, not politicians with partisan agendas. British economist James Meade wrote, "Ten years ago at Oxford I should never have dreamed that an economist could live in such a heaven of practical application of real economic analysis!"⁹ In fact, what made Bretton Woods extraordinary was that several nations agreed to trust in new systems that economists had designed. The proceedings of Bretton Woods state the objective as "the expansion and balanced growth of international trade" by facilitating systematic exchanges between those countries participating: "stability without rigidity and elasticity without looseness."¹⁰ Many countries therefore collectively established a global first: powerful and resourced institutions created to manage shared matters of money and economics. The resulting International Monetary Fund (IMF) was "delegate[d] certain prerogatives of national sovereignty" and member countries agreed to a set of rules and regulations.¹¹ All in all, "the Bretton Woods conference and the negotiation that preceded

³ Skidelsky, R. (2000). *John Maynard Keynes: Fighting for Britain 1937-1946* (Vol. 3). London: Macmillan, 239.

⁴ Lamoreaux, N., & Shapiro, I. (2019). "Introduction." In N. Lamoreaux & I. Shapiro (Eds.), *The Bretton Woods Agreements*. New Haven, CT: Yale University Press, 1-18, 7.

⁵ Ibid.

⁶ Ibid.

⁷ Eichengreen, B. (2019). "The Monetary Role of Gold as the Original Sin of Bretton Woods". In Lamoreaux & Shapiro (Eds.), *The Bretton Woods Agreements*, 38-55, 43.

⁸ Germain, R. (2010). *Global Politics & Financial Governance*. Basingstoke, Hampshire: Palgrave Macmillan, 34.

⁹ Quoted in Conway, E. (2017). *The Summit, Bretton Woods, 1944: J.M. Keynes and the Reshaping of the Global Economy*. New York: Pegasus Books, 148.

¹⁰ Quoted in Van Dormael, A. (1978). *Bretton Woods: Birth of a Monetary System*. London: Macmillan, ix.

¹¹ Ibid., 3.

it constituted the first attempt to provide a sustained analysis of the world financial order as a system.”¹²

Bretton Woods introduced two institutions: the IMF and the International Bank for Reconstruction and Development – now known as the World Bank. The IMF was to be responsible for money in circulation globally, stabilizing currency values by giving short-term loans and adjusting exchange rates. The IMF would help countries manage their balance of payments deficits by extending loans, and it made currency conversion possible. The system aimed to combine “the short-term advantages of predictability and fixity with the long-term advantages of flexibility,” a combination that was meant to create “economic stability”.¹³ The World Bank would provide longer-term loans primarily to help countries devastated by WWII to reconstruct their economies through infrastructure and industry. Governments joining the Bretton Woods order, in exchange for agreeing to the terms of the regime, would get assistance from its two multilateral institutions.

There are two generally accepted explanations for the Bretton Woods outcome in the literature: one materialist, the other ideational. The materialist explanation – the one, for instance, in Gardner’s work – advocates that the outcome of the Bretton Woods conference was determined based on distribution of power. A materialist view is that ideational variables do not matter. Since the US had money and financial power, the Bretton Woods outcome came to be very much US-centric. Simply, the US wanted a gold-centric system, so that was the outcome. However, within a power narrative, what we do is often shaped by ideas, which brings us to the ideational explanation focused on Keynes. The ideational explanation for the Bretton Woods system holds that Keynes and White were both Keynesian thinkers, and they wanted countries to pursue welfare policies. For Ikenberry, Keynes and White basically had the same ideas about the monetary system. The tension concerned the nation states and their interests. This means that, though Keynes and White had the same ideas as individuals, they were beholden to their governments. All in all, in this narrative, Bretton Woods is explained by an ideational consensus, albeit there were power discrepancies.

Scholars have traditionally analyzed the outcome of the post-WWII global monetary order in the context of Polanyism – as part of the story taken up by economist Karl Polanyi, John G. Ruggie, and Ikenberry. In this vein, the transition into the US dollar from the gold standard was in part undertaken with an eye to make the world safe and suitable for Keynesianism. This contrasted with mercantilist tendencies, which had their origins in the Paris Peace Conference of 1919. During the interwar period — before WWII — *laissez-faire* capitalism was embraced, and hyperglobalization was preferred. The gold standard was at the center of the international monetary regime. Effectively, it functioned as “a free trade regime with fixed currencies” in that gold facilitated currency exchange when currency could not be used in a foreign country.¹⁴ This made gold itself a “powerful institution” since nation states had to use it to facilitate currency conversion.¹⁵ In sum, it allowed people the peace of mind that their money earned abroad would be “as good as gold” at home, allowing markets to expand globally. Pre-WWII, the gold standard was the one thing that could be agreed on by thinkers as diverse as “Ricardo and Marx, John Stuart Mill, and Henry George, Mises and Trotsky, Hoover and Lenin, Churchill and Mussolini”.¹⁶

¹² James, H. (1995). “The IMF and the Creation of the Bretton Woods System, 1944-58”. In B. Eichengreen (Ed.), *Europe’s Postwar Recovery*. Cambridge: Cambridge University Press, 93-126, 95.

¹³ Van Dormael, *Bretton Woods*, 3.

¹⁴ Dale, G. (2010). *Karl Polanyi: The Limits of the Market*. Cambridge: Polity Press, 64.

¹⁵ Ibid.

¹⁶ Ibid., 65.

After the war, however, many changes took place, creating a new paradigm for what was deemed acceptable politically. Polanyi looked at European and American mass movements on both the Left and the Right: “the revolutionary and counterrevolutionary upheavals in central and eastern Europe in the 1917-20 period, the General Strike of 1926 in Great Britain, and above all, the rapid succession of the gold standard by Britain, the instituting of the Five Year Plans in the Soviet Union, the launching of the New Deal in the United States, unorthodox budgetary policies in Sweden, *corporativismo* in Fascist Italy, and *Wirtschaftslenkung* followed by the creation of both domestic and international variants of the ‘new economic order’ by the Nazis in Germany.”¹⁷ In these diverse developments, he found a common factor: “social reaction against market rationality.”¹⁸ In his magnum opus, *The Great Transformation* (1944), Polanyi theorized these events – “*laissez-faire* liberalism and the protectionist reactions that it provoked” — as a “double movement”.¹⁹

In *The Great Transformation*, Polanyi reflected on decades of his ideas regarding these major economic, political, and sociological developments. He concluded that the gold standard had led to volatile domestic prices and therefore unemployment, causing “strains [to be] shuttled between the national and international spheres.”²⁰ As such, by the 1930s, he predicted that a new system would be implemented, for as he said, “governments can and will not allow the economic system of their countries to be the football of uncontrollable international forces”.²¹ Polanyi was paralleling Keynes, who believed that the gold standard was an outdated system that prevented countries from having autonomy over their own policies and “made the market supreme over the industrial system”.²² According to Canadian economist Abraham Rotstein, Keynes influenced Polanyi’s thoughts on this. For Polanyi, a self-regulating market was a myth — a “utopian and destructive ideal,” causing an inevitable “disembedding” of the market against which people reacted.²³ That is, economies are always embedded in societies, and the subordination of society and commodification of labour and land caused a disembeddedness. What Polanyi terms as the “great transformation” was a result of non-state entities (such as labor, land, and capital) attempting to gain control over markets. This marketization of land, labor, and capital caused people to become anti-market and embed the economy within society again, producing the “double movement” that Polanyi identified. That is, “the sundering of economics from politics... destroyed the ‘unity of society’ causing tensions between state and economy and between the national and international realms.”²⁴ The free market caused people to want governments to maintain more protective controls over the economy using policies such as tariffs. These calls spoke to the conflict within a market society between liberalizing and protecting their economies. For Polanyi, “an ‘economic’ society is a utopia; in all human society economics must be subordinated to the needs

¹⁷ Ruggie, J. G. (1982). “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order”. *International Organization*, 36(2), 349-415, 386.

¹⁸ Ibid., 387.

¹⁹ Dale, G. (2008). “Karl Polanyi’s *The Great Transformation*: perverse effects, protectionism and *Gemeinschaft*”. *Economy and Society*, 37(4), 495-524, 498.

²⁰ Dale, G. (2016). *Reconstructing Karl Polanyi: Excavation and Critique*. London: Pluto Press, 97.

²¹ Quoted in Ibid., 98.

²² Quoted in Ibid., 101.

²³ For a comparison of Polanyi to ordoliberalism in the context of gold standard, see Woodruff, D. M. (2017). “Ordoliberalism, Polanyi, and the Theodicy of Markets”. In J. Hien & C. Joerges (Eds.), *Ordoliberalism, Law and the Rule of Economics*. Oxford, UK: Hart Publishing, 215-227, 227.

²⁴ Dale, G. (2016). “In Search of Karl Polanyi’s International Relations Theory”. *Review of International Studies*, 42, 401-424, 415.

of society as a whole.”²⁵ He therefore advocated for government intervention to prevent socioeconomic problems from arising. For Polanyi, the role of the state was to re-embed the economy via social protections.

Bretton Woods did not create the system that Polanyi had envisioned. While many Left-leaning people viewed the gold exchange standard brought for by the Bretton Woods system as “an innocent institution”, Polanyi saw it as “nothing but preparation of the world for rule by the US dollar.”²⁶ For instance, he wrote in an article that the Crossman rebellion spoke to the anger of the “common people of Britain” toward the “peril” of Bretton Woods because it maintained the gold standard and bolstered US interests.²⁷ For Polanyi, Bretton Woods was an attack “on controlled foreign economies” — and therefore an attack on socialist Britain — disguised as “free trade demagoguery”, because liberalizing trade meant that market forces could have control over the state of certain industries, which contradicted the premise of economic protection.²⁸ Polanyi countered that Britain “must remain free to manage her currency, she must be free to plan her foreign trade.”²⁹ Overall, though Jurgen Habermas would later on state that Polanyi was “the herald of the Bretton Woods system, which set up the framework for the more or less successful social welfare state policy,” some commentators viewed Polanyi as its staunch critic.³⁰

Post WWII, as people across the world were gaining the right to vote and working-class people were gaining more political power, a new political imperative was imminent. Many people were demanding social protection, “with the possible exception of orthodox financial circle”.³¹ In this nascent structure, *laissez-faire* could not be imposed if people did not vote for it. As the middle and working classes added weight to demands for political reform, their needs and views had to be reconciled with thorough social-democratic bargains. Hence, the goal of several political powers became pursuing the benefits of globalization without alienating people. Governments, reflecting this shift in state-society relations, needed to become more responsible for “domestic social security and economic stability.”³² Some isolation from international market forces had to be created to allow for domestic social safety nets. As Polanyi stated, “the market does not and cannot take of itself,” and hence it was necessary to imbue economic policies with a sense of justice and care.³³

The Bretton Woods system aimed to prepare the ground for a new kind of postwar liberalism in which economies would be predicated on global cooperation instead of nationalism. This was what Ruggie terms “embedded liberalism” after Polanyi’s notion of “disembedded” economics.³⁴ Both “draw a distinction between economic orders that are ‘embedded’ in the larger context of human relations and those that are ‘disembedded’, where economic motives and logic are viewed as separate from the broader concerns of society.”³⁵ In essence, Ruggie’s notion of

²⁵ Dale, G. (2016). *Karl Polanyi: A Life on the Left*. New York: Columbia University Press, 169.

²⁶ Quoted in Ibid., 193.

²⁷ Ibid.

²⁸ Ibid.

²⁹ Ibid.

³⁰ Dale, *Reconstructing Karl Polanyi*, 5, 7. Dale quotes from Habermas, J. (2001). *The Postnational Constellation*. London: Polity, 85.

³¹ Ruggie, “International Regimes, Transactions, and Change”, 388.

³² Ibid.

³³ Slobodian, Q. (2018). *Globalists*. Cambridge, MA: Harvard University Press, 19.

³⁴ Ruggie, “International Regimes, Transactions, and Change”, 393.

³⁵ McNamara, K. R. (1998). *The Currency of Ideas: Monetary Politics in the European Union*. Ithaca, NY: Cornell University Press, 83.

“embedded liberalism” defines postwar liberalism, whereby nations realized that they must pay more attention to domestic social security.³⁶

Shifting values and norms of state intervention in society, from *laissez-faire*, liberal viewpoints to embedded liberal ones and the welfare state, affected the world political economy between 1914 and 1945. Governments recognized that a functioning domestic political scene was crucial to achieving results in international economic engagement. While opening up the domestic economy to reap benefits from international trade and investment, domestic economy goals such as full employment had to be maintained. Commitment to economic openness became embedded within domestic objectives. Paralleling President Franklin D. Roosevelt administration’s New Deal policies, this “embedded liberal” post-WWII order needed to protect liberal democracies from political strife “generated by modernity itself.”³⁷ The goal was to create a middle ground between openness and stability. Gold standard meant hyperglobalization because it meant that countries shared something on which to fix their pricing. This meant full exposure to vicissitudes of the demand for and supply of gold, meaning that “individual nations were exposed to both monetary and real shocks transmitted from the rest of the world via the balance of payments and other channels of transmission.”³⁸ The dollar – or more broadly, the idea of embracing a non-gold currency – created isolation from global gold market forces. As long as the medium was not gold itself, national markets would be protected. With the Bretton Woods agreements, governments developed their capacity to align their economies with domestic goals of stability and full employment. In the Bretton Woods system, states had the resources to carry out their own “favorite experiments” while remaining part of a cooperative international economy; these resources included credit from the IMF, exchange rate management, and capital flow control.³⁹ In essence, the IMF allowed member nations to take part in a maintained global market while insulating themselves and their domestic interests. For example, though for current account convertibility, liberalization of trade payments was aimed at, governments held the right to control all capital account movements. As such, speculative capital flows would be limited. *En route* to economic growth, the security of the middle and working classes had to be ensured. The postwar understanding was that, as Ikenberry writes, “social and economic security went hand in hand with national security.”⁴⁰ This was incompatible with “the deflationary discipline of the gold standard,” which led to “contraction and unemployment”, because politicians had to follow up on promised socioeconomic policies.⁴¹ Keynes dismissed the advantages of the gold standard and wrote that it was “out of the question and might easily mean the downfall of our present system of democratic government.”⁴² Doing away with gold standard would allow for pursuing liberal democracy and

³⁶ Germain, R. (2019). “International Political Economy”. In G. Dale (Ed.), *Karl Polanyi’s Political and Economic Thought: A Critical Guide*. New Castle: Agenda Publishing, 27-48, 28.

³⁷ Ikenberry, J. (2018). “The end of liberal international order?” *International Affairs*, 94(1), 7-23, 13.

³⁸ Bordo, M. D. (1993). “The Bretton Woods International Monetary System: A Historical Overview”. In M. D. Bordo & B. Eichengreen (Eds.), *A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform*. Chicago, IL: The University of Chicago Press, 3-108, 5.

³⁹ Best, J. (2003). “From the Top-Down: The New Financial Architecture and the Re-embedding of Global Finance”. *New Political Economy*, 8(3), 363-384, 365.

⁴⁰ Ikenberry, “The end of liberal international order?”, 16.

⁴¹ Ikenberry, J. (1993). “Creating Yesterday’s New World Order: Keynesian Thinking and the Anglo-American Postwar Settlement”. In J. Goldstein & R. O. Keohane (Eds.), *Ideas and Foreign Policy: Beliefs, Institutions, and Political Change*. Ithaca, NY: Cornell University Press, 57-86, 71.

⁴² Ibid. Ikenberry quotes the following source as Footnote #41: “Memo from Keynes to Sir Wilfred Eady and Richard Hopkins, March 28, 1944”, in E. Johnson, & D. Moggridge (Eds.). (1978). *Collected Writings of Keynes*, Volume 27. London: Royal Economic Society, 373-74.

welfare at home. All in all, instituting economic policies with the goal of domestic social security was the aim of the Bretton Woods system. In essence, Keynes and White wanted these domestic goals to be protected.⁴³

At this time, particularly from the beginning of WWII, public intellectuals like Keynes and White were constantly trying to predict how the world would come to look. Hoping not to repeat the mistakes of history, they envisioned order. In particular, they wanted to avoid the “political chaos” that had resulted from disorder and strife after WWI.⁴⁴ Order “did not necessarily imply a rigid, unifying, or homogenous system. ... Rather, many conceptions of world order revolved around the aspiration to accommodate change and flexibility as valuable and desirable aspects of human life.”⁴⁵ Given the political focus on maintaining order in the face of instability, “if the war was global, an adequately global plan for peacetime order was necessary.”⁴⁶ The uncertainty and turmoil of war itself generated a global impetus to maintain order. The war therefore both constituted a crisis and created an opportunity for thinkers to create a new order in the 1940s.

As the US joined the war, its public intellectuals looking ahead to the postwar period focused on multilateral free trade. “Prosperous neighbors are the best neighbors,” White pointed out, echoing British politician and free trade campaigner Richard Cobden’s argument that “trade protection and tariffs were linked to political conflict and, ultimately, war.”⁴⁷ Furthermore, without loans for reconstruction and development, White remarked, “postwar unemployment would drive... countries ‘into some kind of ‘ism’ – communism or something else.”⁴⁸ Economic openness was conducive to economic growth and hence a precondition for peace and bolstering western liberal values. Europeans agreed with a multilateral monetary order, yet as they – compared to the Americans – were more interested in social safeguarding than open economies, the US had to compromise. In lieu of mere free trade, a new order would have to balance openness with stability. Doing away with gold standard and embracing non-discriminatory trade and currency convertibility in its stead led the way toward Keynesian macroeconomic policies.

Bretton Woods had worldwide consequences, allowing for strong coalitions amid a new order. It was a catalyst to institutionalizing “embedded liberal” ideas and broader international agreement. There was a consensus that active supervision alongside free trade was necessary, and that often the greatest security threats developed within societies due to political and economic challenges. The nascent monetary order would equip governments with the tools to pursue Keynesian macroeconomic policies and ensure a welfare state at home. The post-WWII era saw the modern development of both “monetary policy (control of interest rates) and fiscal policy (control of government spending and taxes)” alongside a rise in union coverage and expanded means of social relief reminiscent of the “New Deal” across the globe.⁴⁹ Via the Bretton Woods negotiations, *vis-à-vis* the turbulent winds of the international financial system, governments could create havens to safeguard their national economies, balancing multilateralism with domestic

⁴³ Murphy, C. N. (1994). *International Organization and Industrial Change: Global Governance Since 1850*. New York: Oxford University Press, 204.

⁴⁴ Rosenboim, O. (2017). *The Emergence of Globalism: Visions of World Order in Britain and the United States, 1939-1950*. Princeton, NJ: Princeton University Press, 3.

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Quoted in Ikenberry, J. (2019). *After Victory*. Princeton, NJ: Princeton University Press, 186.

⁴⁸ Quoted in Eckes, A. E. (1973). “Open Door Expansionism Reconsidered: The World War II Experience”. *The Journal of American History*, 59(4), 909-924, 918.

⁴⁹ Palley, T. I. (2005). “From Keynesianism to Neoliberalism: Shifting Paradigms in Economics”. In A. Saad-Filho & D. Johnston (Eds.). (2005). *Neoliberalism: A Critical Reader*. London: Pluto Press, 20-29, 21.

interventionism. In short, individual nations could safeguard their own economies and have increased autonomy while being protected from changes in the market.⁵⁰ Hallmarks of the post-WWII world would be embedded liberalism and multilateralism.

Bretton Woods was essentially an Anglo-American negotiation with two proposals for the post-WWII monetary order on the table: one by the US Treasury official, White, the other by British representative and economist, Keynes. On December 14, 1941, Secretary of the US Treasury, Henry Morgenthau, instructed White to draw up a plan for a fund created between the Allies aiming to “provide the basis for postwar international monetary arrangements”.⁵¹ Keynes had already released a plan (which became known as the Keynes Plan) on September 8, 1941, and White released his plan (which became known as the White Plan) in January 1942.⁵² These plans were highly confidential, and it wasn’t until 1943 that both plans were published and more widely circulated.⁵³ Though the outcome formally ratified by the 44 participating delegations at the Mount Washington Hotel in Bretton Woods, New Hampshire more resembled the White Plan, Keynes is often considered the agreement’s intellectual architect. The arguably more influential White remains obscure and enigmatic.

As WWII drew to a close, the US had the upper hand internationally in economic, political, industrial, and military terms. Despite the US’s hegemonic power and its extraordinary military and economic strength, the UK had the power to walk away from the table. Their leverage was not to do with the monetary system but with the trade regime. If the UK declined to take part in the global monetary system and chose to depreciate the pound, it would make UK exports more competitive, undermining US producers. The US needed the UK to be a part of the Bretton Woods system to prevent the UK — and by precedent the Commonwealth — from undervaluing the US dollar. Monetary and trade regimes were being negotiated simultaneously. The UK had the empire and the Commonwealth. And if the two operated together, the UK was sizeable, able to punch above its weight. Secretary Cordell Hull, on the US side, was hoping to get a free trade deal from the UK, aiming to dissolve the empire. The UK’s threat on the monetary side was not to give ground on the trade side.

The debates during the Bretton Woods negotiations and the preceding correspondence between White and Keynes have often been seen as a clash between American and British interests under the very same Keynesian framework. All in all, White and Keynes largely agreed on economic ideas but had different political and national goals. White was representing the US of the New Deal coming out of a war. Both White and Keynes were keen on eliminating exchange controls as well as the “destabilizing consequences of short-term, speculative capital flows, or ‘hot money’”.⁵⁴ Paralleling national objectives, White advocated for fewer capital controls, a smaller borrowing quota size, and much less exchange rate flexibility, while Keynes favored more capital controls, a larger borrowing quota size, and more exchange rate flexibility. Quotas would govern fund availability for each nation and therefore their decision power within the IMF.

⁵⁰ Lacher, H. (1999). “The Politics of the Market: Re-reading Karl Polanyi”. *Global Society*, 13(3), 313-326, 313.

⁵¹ Quoted in Ikenberry, “Creating Yesterday’s New World Order”, 72. Ikenberry quotes the following as Footnote #47: “John Morton Blum, *From the Morgenthau Diaries: Years of War, 1941-1945* (Boston: Houghton Mifflin, 1967), pp. 228-29.”

⁵² Cesarano, F. (2006). *Monetary Theory and Bretton Woods: The Construction of an International Monetary Order*. Cambridge: Cambridge University Press, 132.

⁵³ Ibid.

⁵⁴ Abdelal, R., & Ruggie, J. G. (2009). “The Principles of Embedded Liberalism: Social Legitimacy and Global Capitalism”. In D. Moss & J. Cisternino (Eds.), *New Perspectives on Regulation*. Cambridge: Tobin Project, 151-162, 157.

Power imbalances and differing priorities continued to set the tone of the negotiations. As the US came relatively unscathed out of the war and had larger gold reserves in its Treasury, it did not wish to be the creditor of the world. While Keynes suggested that countries with both a deficit and a surplus should bear responsibility for restoring global order, US representatives argued that the responsibility lay with countries in deficit. On the other hand, Britain, then in debt, did not want to be vulnerable to “U.S.-imposed trade liberalization” and wanted member states in surplus to pay some costs.⁵⁵ Overall, the US wanted the markets of Europe and its empires to open by liberalizing trade, to have control over exchange rates, and to set conditions on any money they spent on rebuilding Western Europe. Effectively, “as a capital-exporter unlikely to need to borrow from the IMF, the United States was keen to lay down conditions on any country wishing to use the IMF.”⁵⁶ Overall, the Bretton Woods agreement came to reflect the American view of things due to the UK and the US’s insecure and secure positions, respectively, particularly regarding the point that countries in deficit should pay costs.⁵⁷

Further, while Britain was against the gold standard, the US “had accumulated about two-thirds of the world’s monetary gold” and wanted to ensure that it remained valuable.⁵⁸ They therefore rejected any proposal that diminished the value of gold. Taken together, the US plan more resembled the gold standard than Keynes’s plan, which proposed a larger departure. The scholarly literature has regarded Bretton Woods as Keynes’s defeat, since he could not install the system that he wanted. The only thing that may be considered to his favor was the vision of capital controls which allowed embedded liberalism to function. In International Political Economy (IPE) scholarship, White (or the US) is considered the “winner”. The common consensus on Bretton Woods is that the material circumstances and the asymmetry of bargaining power – a rising hegemon supplanting a declining Britain – dictated the outcome. In short, it is a narrative of American power versus British ideas operating in a Keynesian universe, and White’s role is sidelined as merely trying to dilute Keynes’s elaborate proposals. A poem written on scrap paper during the discussions sums this understanding:

“In Washington Lord Halifax
Once whispered to Lord Keynes:
It’s true *they* have the money bags
But *we* have all the brains.”⁵⁹

This raises two important questions. First, could the Bretton Woods negotiations have survived intact, or lasted longer, had Keynes’s proposals been heeded fully? Unlike White, Keynes attached great importance to internal stability. He wanted a novel, truly international currency – the “bancor” – the supply of which would be regulated by the IMF. Along with IMF reserve management and periodic ER adjustments, Keynes believed that bancor would prevent states from fighting over a limited supply of gold. Bancor translates to bank gold, and as the name suggests, it would replace gold and allow gold to be phased out from the global economy. Anticipating that surplus countries would be reluctant to adjust, Keynes wanted them to pay a penalty to build up financial reserves. However, early in the negotiations, his proposal was rejected. Further, Keynes

⁵⁵ Woods, N. (2006). *The Globalizers: The IMF, the World Bank, and Their Borrowers*. Ithaca: Cornell University Press, 17.

⁵⁶ Ibid.

⁵⁷ Germain, R. D. (1997). *The International Organization of Credit: States and Global Finance in the World Economy*. Cambridge: Cambridge University Press, 70.

⁵⁸ Van Dormael, *Bretton Woods*, 31.

⁵⁹ Quoted in Gardner, R. N. (1985-1986). “Sterling-Dollar Diplomacy in Current Perspective”. *International Affairs (Royal Institute of International Affairs 1944-)*, 62(1), 21-33, 21.

pushed for extensive financing to solve the balance of payments problem. If the US continued to exist in a surplus, he proposed that they would pay for other nations' "total drawing rights ..., which came to \$23 billion in Keynes's scheme."⁶⁰ The American delegation viewed Keynes's Clearing Union as "unlimited liability for potential creditors" and insisted on the White Plan, which brought these drawing rights down to \$5 billion and proposed that the US obligation should amount to \$2 billion.⁶¹ The final agreement reflected the Anglo-American power asymmetry, since the final amount settled on \$8.8 billion with a US obligation of \$2.75 billion, which resembled the White Plan more than the Keynes Plan.⁶² Too little funds were allocated to refurbish a world devastated by WWII.

The second question is, what exactly was White's impact regarding the role of gold? Was Bretton Woods the result of a power game only, or was it more nuanced than that? Though the outcome of the Bretton Woods negotiations hewed more closely to White's designs, his contributions have been overshadowed by Keynes's international fame. While Keynes is synonymous with Bretton Woods, the arguably more influential White remains underconceptualized. In fact, contemporary representations of White — White the communist spy, White the gold supporter, White the Keynesian, White the nationalist — are so divergent as to be mutually exclusive. Mining different areas of his life and writings, scholars have found evidence for each of these competing narratives. Each of these different permutations fundamentally alters our understanding of Bretton Woods and why its Keynesian framework failed in different ways. If it remains unclear whether White was Keynesian, should we then be surprised that the world is no longer safe for embedded liberalism given populism's ascent? As Helleiner writes, the "origins of White's plan have sometimes puzzled scholars, particularly since he produced initial drafts extremely quickly after an initial request from Morgenthau in mid-December 1941."⁶³ The origins were "unclear" to Ikenberry and "mysterious" to Donald Moggridge, the editor of *The Collected Writings of John Maynard Keynes*.⁶⁴ This thesis contends that White was able to produce plans very quickly at Morgenthau's request because he had started thinking about monetary designs much earlier. White's 1934 unpublished report written for the US Treasury with the title *Selection of a Monetary Standard for the US*, as well as his unpublished *The Future of Gold* writings of 1939-1942, show him as more of a gold supporter. Both documents are hence smoking guns for White's gold-centric intentions. At the time, especially given the interwar experience, more and more people were becoming Keynesians. It is assumed that, in 1944, White had just been fully won over by Keynesians. In fact, his ideas were more gold-centric than what the US could have advocated. White's agency warrants scrutiny.

White's vision was to ensure the dollar's dominance during Bretton Woods and even after its demise. White was well aware of the US negotiating advantage and knew how to use it. To Morgenthau's statement, "now the advantage is ours here, and I personally think we should take it," White responded, "if the advantage were theirs [the British], they would take it."⁶⁵ After the Bretton Woods agreements, due to American military and economic prowess, the dollar rose to

⁶⁰ Eichengreen, B. (2008). *Globalizing Capital: A History of the International Monetary System*. Princeton, NJ: Princeton University Press, 94.

⁶¹ Ibid., 95.

⁶² Ibid.

⁶³ Helleiner, E. (2014). *Forgotten Foundations of Bretton Woods: International Development and the Making of the Postwar Order*. Ithaca, NY: Cornell University Press, 2.

⁶⁴ Ibid.

⁶⁵ James, H. (2019). "The Multiple Contexts of Bretton Woods." In N. Lamoreaux & I. Shapiro (Eds.), *The Bretton Woods Agreements*. New Haven, CT: Yale University Press, 254-272, 256.

significance as a global currency in three key ways.⁶⁶ First, it was used as a currency in international trade, even between non-American countries. Second, because it was used so widely, international governments kept their exchange rates steady by trading dollars with their currencies. Third, governments also kept dollars in reserve to store value, though some countries did the same with sterling or French francs. In fact, through the gold-USD link, Bretton Woods turned into an “asymmetrical dollar-gold system”, meaning that countries held onto dollars instead of gold, effectively making the dollar “both the private and official international currency.”⁶⁷ As a result, while the Bretton Woods system was designed around converting global currencies into gold, it effectively introduced a “dollar standard” while the dollar was attached to the price of gold.⁶⁸ White’s vision rendered the USD the top currency of its day and beyond. As such, the Bretton Woods system became, as Harold James put it, “the intellectual sugar covering” covering “the bitter taste” of the dominance of the dollar on a global stage and internationalism at home in the US.⁶⁹

Bretton Woods Literature Review

Here I survey some of the major works in the Bretton Woods literature. The sources I refer to in this section are some of the main examples of power-based versus ideas-based explanations. I also consider the singular (American) versus multilateral (Global South) origins of the Bretton Woods literature.

Power-Based Explanations

Richard N. Gardner’s *Sterling-Dollar Diplomacy* (1956) is considered to have “pioneered the study of [Bretton Woods] negotiations.”⁷⁰ The book is about international economic diplomacy and policy-making, as well as the way institutions enacted policy. It further explores the way the public regarded different economic policies, which were complex and difficult to communicate.

Gardner acknowledges the amiable nature of the Anglo-American cooperation and consultation in favor of multilateralism and constructive internationalism, yet he heavily underlines the differences between White’s and Keynes’s visions. He paints a picture of major powers disillusioned with the economic prescriptions leading to WWII, coming together to prepare the world for a New Deal, albeit through starkly different plans. The Bretton Woods agreement was to lay the basis for a period of prosperity. While Roosevelt and Churchill led with their political goals, the negotiations were headed by White and Keynes and supported by a “small handful of men” across the Atlantic who were committed to similar principles.⁷¹ Among the British ranks, there was Meade, Lionel Robbins, Dennis Robertson, Richard Hopkins, Sir Percivale Liesching, Richard Law, Sir Kingsley Wood, and Sir John Anderson, while the American influencers included Hull, Dean Acheson, Morgenthau, Edward Bernstein, Ansel Luxford, Will Clayton, Harry Hawkins, Winthrop Brown, and Willard Thorp. They agreed that money across the

⁶⁶ Odell, J. S. (1982). *US International Monetary Policy: Markets, Power, and Ideas as Sources of Change*. Princeton, NJ: Princeton University Press, 84.

⁶⁷ Graetz, M. J., & Briffault, O. (2019). “A ‘Barbarous Relic’: The French, Gold, and the Demise of Bretton Woods”. In Lamoureaux & Shapiro (Eds.), *The Bretton Woods Agreements*, 121-142, 126.

⁶⁸ Ibid.

⁶⁹ Quoted in Lamoureaux & Shapiro, “Introduction”, 17.

⁷⁰ Helleiner, *Forgotten Foundations of Bretton Woods*, 4.

⁷¹ Gardner, “Sterling-Dollar Diplomacy in Current Perspective”, 21.

world should be managed collectively and that both the US and the UK should have some control over this system, and they agreed that both nations had to protect the global economy from the unpredictability of private banking. Morgenthau's address at the Bretton Woods Conference on July 22, 1944 stated that the goal was "to drive the usurious money lenders from the temple of international finance."⁷²

In Gardner's narrative, the US Treasury officials held Keynesian ideas. There was an Anglo-American consensus on the right approach to economic thinking. Bretton Woods, in this version of events, was a direct response to the inflexibility of the gold standard of during the interwar period, which in effect turned into golden fetters by significantly limiting the available policy scope and exacerbated the Great Depression. Gardner argues that the American delegation did not believe in *laissez-faire* and saw governments as responsible for the health of the economy in pursuit of employment and welfare, and these beliefs partially reflected Keynesian economics; that is, they wanted to "make finance the servant, not the master, of human desires", in contrast to the events of the two previous decades.⁷³ Yet despite this Keynesian, New Deal framework, a stark power gap was at play, not only between the ascending US and the descending UK but also between other countries. Anglo-American dominance was so central that it led to a unique situation, in Gardner's view, in which the US and the UK alone constructed the new global economic order.

Even during the Anglo-American negotiations for the Joint Statement, contradictory forces and sources of friction were evident. Simply put, Keynes and White were different people. Gardner describes both of them as "proud, sensitive, and self-confident to the point of arrogance ... [and] not much else did they have in common."⁷⁴ They were from different social classes; White had risen from the middle class, while Keynes was raised as part of the intelligentsia. Therefore, Keynes placed emphasis upon manners and gentility, while White did not and resented social hierarchies. He occasionally addressed Keynes as "your Royal Highness," much to Keynes's chagrin.⁷⁵ Keynes would respond by flexing his intellectual prowess, evidently making White feel inferior, and in response White would emphasize that he had the upper hand as the representative of the mightier US.

When the White and Keynes Plans, and then the Joint Statement, were published, the British expressed skepticism about the White Plan. For one, people feared "a full return to the gold standard" due to the way exchange rates were being pegged to gold and provisions were being made for gold subscriptions.⁷⁶ Further, reputable newspapers complained that it didn't guarantee ample resources, adequate sanctions for creditors, or enough freedom for debtors to set their own policies. At the Bank of England, the sentiment was no different. John Winant, the US Ambassador to Britain, wrote back home in 1944 that "a majority of the directors of the Bank of England are opposed to the Bretton Woods program... it is argued by those in opposition that if the plan is adopted, financial control will leave London and sterling exchange will be replaced by dollar

⁷² Ibid. Original source as cited by Gardner in the Footnote #18: "Address of Morgenthau at the final session of the Bretton Woods Conference, 22 July 1944, in *US Department of State, Proceedings and documents of the United States Monetary and Financial Conference, Bretton Woods, New Hampshire, July 1-22, 1944, Vol. 2* (Washington DC: US Government Printing Office, 1948), p. 1227."

⁷³ Gardner, R. N. (1956). *Sterling-Dollar Diplomacy*. Oxford: Oxford University Press, 76.

⁷⁴ Ibid., 111.

⁷⁵ Ibid.

⁷⁶ Ibid., 95.

exchange.”⁷⁷ Further, on the British side, advocates of Imperial Preference and the sterling area touted the necessity of trade barriers.

In the US, the outlook was the same. While the British were suspicious of the White Plan and thought that it would lead to deflation, many Americans thought that the Keynes Plan was too experimental and would lead to inflation. For instance, *The New York Times* described Keynes as “an antagonist of stability of foreign exchange rates and... a champion of currency devaluation and credit expansion”.⁷⁸ The paper supported the gold standard, which it viewed as “the most satisfactory international standard that has ever been devised”.⁷⁹ Gardner hence posits that the outlooks of the two nations stood entirely opposed.

Surveying British and American public opinion before and after the Bretton Woods agreement was signed, Gardner emphasizes that post-WWII cooperation was a “political miracle”.⁸⁰ At the end of the day, US power was able to trump all concerns and hence bring forth the Bretton Woods outcome as we know it. Overall, for Gardner, though there was a Keynesian ideational consensus to some extent, the outcome was determined by power discrepancies and national interests. However, Gardner does not tackle White’s early gold-centric ideas, the origins of the White Plan, the Atlantic City conference, or the role of gold at the Bretton Woods debates in general. Rather than zooming in on Bretton Woods, the book focuses on the concept of multilateralism and the way financial and commercial collaboration was perceived in the American and British public. His book therefore gives an umbrella account of how post-war commercial and financial planning, negotiations, and compromises took place regarding the Atlantic Charter, Article Seven, Anglo-American financial and commercial collaboration, the end of Lend-Lease, and the British loan.

In *Bretton Woods: Birth of a Monetary System* (1978), Armand van Dormael looks at the genesis of Bretton Woods. Relying mainly on British documents, he gives a detailed account of the planning for the conference and the negotiations. For Van Dormael, Bretton Woods was a tactical game. Negotiations were more of a battle than harmony, and the power disparity was evident. In his account, many of the smaller nations involved, and even some of the bigger nations, were “free riders.”⁸¹ Each country was fighting for “a national good, that is, a larger quota” than that of other countries out of a pre-determined number of quotas.⁸² The British were jumping on the Americans’ bandwagon by creating a joint plan that other countries then would have to follow. White created an illusion of considering input from European countries and Russia and China while maintaining US control of the talks, keeping his staff active in redundant committees with these nations to maintain this illusion. If a significant question was raised, they would be sent to an American-dominated committee. White also tactfully took on the chairmanship of the working group on the IMF, matters of which were much more crucial, leaving the Bank’s commission to Keynes. The IMF’s matters, which would cement the financial order of the post-WWII world (quotas, gold reserves, conditions for fundamental disequilibrium, and more), were decided mainly

⁷⁷ Quoted in Gardner, “Sterling-Dollar Diplomacy in Current Perspective”, 23. Original source as cited by Gardner in the Footnote #4: “Telegram from Winant to the Secretary of State, 12 Apr. 1944, included in the Private Papers of Harry Dexter White.”

⁷⁸ Gardner, *Sterling-Dollar Diplomacy in Current Perspective*, 97.

⁷⁹ Quoted in *Ibid.*, 99.

⁸⁰ *Ibid.*, 97.

⁸¹ Kindleberger, C. P. (1979). [Review of the book *Bretton Woods: Birth of a Monetary System*, by Armand Van Dormael]. New York: Holmes and Meier, 1978]. *The Journal of Economic History*, 39(3), 854–856.

⁸² *Ibid.*

through discussion. Van Dormael gives a detailed account of the work leading up to Bretton Woods and lays out the power gap.

Van Dormael puts the Keynes plan in its context. He sees Keynes's plan as essentially a response to that of Minister for Economic Affairs and President of the Reichsbank, Walther Funk, who gave a press conference in Berlin on 25 July 1940 detailing his plan for German (and, more broadly, European) economic reconstruction, aiming to leave Germany well-positioned for global trade.⁸³ Funk proposed "multilateral trade" instead of "bilateral economic relations," and he suggested that "balances would be settled through an exchange clearing."⁸⁴ "Such a clearing system required fixed parities and stable exchange rates," Van Dormael writes, meaning that governments would have autonomy over their own payment balances, and debtor and creditor systems would be phased out.⁸⁵ This would make gold less significant when it came to matters of currency and payment. Keynes thought that Funk was aiming to "appeal to the wide circles and powerful interests in each country which [were] inclined in present circumstances to value social security higher than political independence" and "offer a stable currency system adapted to the commerce of countries which have no gold, and above all a system of economic order and organization".⁸⁶ Keynes asserted, "[Britain will do] the same as what Dr. Funk offers, except that we shall do it better and more honestly".⁸⁷

Van Dormael explores the fact that Morgenthau wanted White to plan an "international currency".⁸⁸ In response to the idea that this currency should "*supplement*" [original emphasis] local currencies in the name of trade, White unequivocally responded in the negative.⁸⁹ "A 'trade dollar' or 'Demos' or 'Victor' or 'what-have you' unit of currency supplementing the United States dollar, whether of the same or different value, would no more help foreign trade than would the adoption of a new flag," White wrote.⁹⁰ He also considered the point that sterling had once effectively been international currency, a state that became impossible due to its instability in terms of gold, and he suggested that the dollar was the only currency poised to take its place. This would be indicative of the role that White would expect gold and the dollar to play at the Bretton Woods negotiations and beyond.

At the American Economic Association's annual meeting on March 1, 1943, White gave a speech highlighting that countries would need to cooperate in the name of "currency stability."⁹¹ For White, such cooperation depended on the US. He stated, "the dollar is the one great currency in whose strength there is universal confidence,... [and] it will probably become the cornerstone of the postwar structure of stable currencies."⁹² He reinforced his remarks by pointing out that the US held more gold and foreign currency than any other nation, resources that would help to stabilize international currencies.

Van Dormael also refers to British public opinion, Lord Beaverbrook's memorandum to the War Cabinet, the Bank of England's note to the Committee on External Policy, and the German press, which all equated the White Plan and the Joint Statement to the gold standard. His story is

⁸³ Van Dormael, *Bretton Woods*, 5.

⁸⁴ *Ibid.*, 6.

⁸⁵ *Ibid.*

⁸⁶ Quoted in *Ibid.*, 7.

⁸⁷ Quoted in *Ibid.*

⁸⁸ Quoted in *Ibid.*, 45-46.

⁸⁹ *Ibid.*, 46.

⁹⁰ Quoted in *Ibid.*

⁹¹ *Ibid.*, 71.

⁹² Quoted in *Ibid.*, 72.

one of a Bretton Woods battle rather than a Bretton Woods Keynesian harmony. In his telling, the US was more concerned with ensuring dollar dominance or even dollar imperialism than Keynesianism per se. Though Van Dormael tackles the role of gold, he does not consider White's ideas and their importance.

In *The Battle of the Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order* (2013), Steil focuses on White's background – his admiration for Soviet economic planning and ties with Soviet agents – as well as the decision-making process at Bretton Woods dominated by White versus Keynes. Steil's perspective challenges the power versus ideas dichotomy suggested in the aforementioned scrap poem. Steil's line of thinking is complemented by previous research on White's alleged ties with the Soviets.

Through the Bretton Woods negotiations, White wanted to create a "New Deal for a new world."⁹³ Steil writes that by the end of WWII, Britain, "in Keynes's words, [was] facing a 'financial Dunkirk'", and hence "the story of the Faustian bargain Britain struck with the United States in order to survive the war would become an essential element in the Bretton Woods drama."⁹⁴ In Steil's conception, White's role in Bretton Woods was "nationalist," as he took advantage of the changes in international relations and pursued US national interests, disregarding those of the British, particularly regarding empire.⁹⁵ Though the White and Keynes plans looked similar on the surface, each aimed to fulfil opposing national interests. Steil explains that "White wanted to make the US dollar, and only the US dollar, synonymous with gold, which would give the US government a virtual free hand to set interest rates and other monetary conditions at will – not just for the United States, but for the world."⁹⁶ On the other hand, Keynes wanted to move away from gold and the dollar through a "new supranational currency" in pursuit of "an 'expansionist' policy."⁹⁷ Keynes famously remarked that "the staging of the vast monkey-house at Bretton Woods is, of course, in order that the President can say that 44 nations have agreed on the Fund and the Bank."⁹⁸ Steil argues that Keynes was part of this "monkey house" and merely a pawn in White's plan.⁹⁹

Though Steil sees the outcome as a result of a stark power disparity, he also touches upon the significance of ideas to some extent. Steil regards the economics White advocated as "hardly Marxist" and "thoroughly Keynesian."¹⁰⁰ However, Steil also argues that White was privately much more left-leaning. He suggests that White believed that the global economic system would turn toward a Soviet model of socialism without quite leaving behind American capitalism. White's private musings after Bretton Woods, according to Steil, suggest that he wanted allyship between the US and the Soviet Union more than he wanted to reinvigorate private trade.

All in all, Steil does consider White's ideas to some extent but sees them as Communist-influenced. He does not consider White's gold-centric economic thinking. For Steil, the outcome of Bretton Woods is explained by national interests and dominant American power.

⁹³ Steil, B. (2013). *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order*. Princeton, NJ: Princeton University Press, 1. Steil quotes from White directly.

⁹⁴ Ibid., 3.

⁹⁵ Ibid., 5.

⁹⁶ Ibid., 148.

⁹⁷ Ibid.

⁹⁸ Ibid., 194.

⁹⁹ Ibid.

¹⁰⁰ Ibid., 39.

Ideas-Based Explanations

In *After Victory* (2001), Ikenberry writes that “the debate about the sources of international order is typically waged between those who stress the importance of power and those who stress the importance of institutions and ideas.”¹⁰¹ However, he finds this a “false dichotomy,” explaining that power determines basic problems but that ideas determine solutions, which are always complex and various.¹⁰² Ikenberry therefore argues that the postwar order was determined by nations’ abilities to “develop institutional mechanisms to restrain power and establish binding commitments,” and these abilities emerged from political goals and dominant ideas about how that order should look.¹⁰³ Bretton Woods was such an order, and the US effectively bound itself to a regime, curbing its own power to make it more powerful in the long run.

Overall, the Bretton Woods agreement established a foundation for international cooperation toward an open economic order. There was a common understanding that the most powerful states should maintain order, therefore necessitating regulations and active institutions. American planners were concerned with “postwar security and a European ‘third force’.”¹⁰⁴ In parallel, free traders saw that an order for a capitalist system was necessary, and those working in national security saw that economic disorder posed the largest threats. As previously discussed, Bretton Woods allowed nations to unite security and economic interests, that is, introduce a welfare state while still “pursuing expansionary macroeconomic policies”.¹⁰⁵ At the end of the day, Ikenberry suggests that, since the US wanted to negotiate and cooperate with Britain and other European countries, it moved further toward their ideas and goals. Through Bretton Woods, “the United States gained its agreement and the Europeans gained commitments, mechanisms, and obligations institutionalized in the post-war order.”¹⁰⁶

In “Creating Yesterday’s New World Order: Keynesian Thinking and the Anglo-American Postwar Settlement” (1993), Ikenberry argues that the Anglo-American postwar settlement cannot be explained by interests alone. While he emphasizes that US hegemony created the foundation of the negotiations, American and British power positions and interests cannot fully account for their results. To explain the Bretton Woods outcome, it is important to understand “how interests came to be defined by governments on both sides of the Atlantic at a critical historical juncture,” and this means paying attention to the role of ideas rather than just power.¹⁰⁷

Ikenberry finds that “not all increments of historical time are equal.”¹⁰⁸ Echoing Goldstein & Keohane’s ideas framework, to which I refer to in the next chapter, Ikenberry writes that “there are junctures or ‘break points’ at which possibilities for major change are particularly great and the scope of possible outcomes is unusually wide.”¹⁰⁹ Such fluid moments breed historical possibility. At these “break points,” such as a major war’s aftermath, tides of interests can turn due to uncertainty or dissatisfaction, Ikenberry explains.¹¹⁰ For instance, “elites are interested in building institutions that have a measure of legitimacy, and that concern reinforces the value of

¹⁰¹ Ikenberry, *After Victory*, 10.

¹⁰² Ibid.

¹⁰³ Ibid.

¹⁰⁴ Ibid., 191.

¹⁰⁵ Ibid., 190.

¹⁰⁶ Ibid., 191.

¹⁰⁷ Ikenberry, “Creating Yesterday’s New World Order”, 58.

¹⁰⁸ Ibid., 59.

¹⁰⁹ Ibid.

¹¹⁰ Ibid., 83.

authoritative policy ideas.”¹¹¹ The end of WWII was such a moment, as the British and the Americans were open to new ideas, and national economic interests were shifting. Hence, just as important as power dynamics was the way interests, alliances, and power itself came into being.

For Ikenberry, power dynamics cannot account for the fact that Britain shaped the Bretton Woods negotiations as much as the US. Such conceptions, he finds, “are not so much wrong as incomplete” in two key ways.¹¹² First, he suggests that there were a variety of solutions that could have suited American economic interests, and officials did indeed put forward a variety. This begs the question of why the system turned out as it did. Second, therefore, Ikenberry suggests that an agreement was reached despite power disparities and divergent national interests, in contrast to settlements such as the Treaty of Versailles. This means that such interests and power structures “were not imperatives that inevitably produced the agreement”.¹¹³ Ideas are important because many pathways could have been chosen.

In fact, “the role of ideas in politics appears to be both powerful and fragile” because ideas both shape interests at “break points” and depend on a constantly shifting state of affairs.¹¹⁴ Bretton Woods exemplifies this point. Paralleling Goldstein and Keohane’s framework, Ikenberry writes that economists’ ideas did change the narrative about the global order after WWII. However, these ideas were not exactly new; what was new was the circumstances that allowed such ideas to come to fruition. Before WWII, many reasonable ideas about global monetary order were in circulation, but events of the 1920s and 1930s invalidated several of these ideas, particularly those “associated with floating exchange rates” or to do with the gold standard after Britain’s failed return to this system in 1925.¹¹⁵ Of course, the war itself substantially altered global circumstances and provided an opportunity to institute new rules and systems, as well as attracted trained economists to government. In sum, “the fate of competing ideas and the political standing of the ideas’ advocates mattered.”¹¹⁶

Further, in the wake of economic crisis, war, and the rise of the welfare state, the ruling classes were rethinking the purpose of government. “Full employment, economic stabilization, and social welfare – these were words that repeatedly found their way into discussions of postwar economic order during the 1940s,” Ikenberry writes.¹¹⁷ Importantly, this was not the case after WWI, when people wanted to return to *laissez-faire* and national autonomy. Elites in 1919 and 1945 had very different goals and perspectives. Overall, several shifts in political circumstances in the interwar years had a significant impact on ideas.

In essence, Ikenberry argues that, after WWII, Keynes-inspired policy ideas helped to define government interests, create coalitions, and reinforce US hegemony, particularly as a Keynesian “middle ground” had been conceptualized based on monetary issues.¹¹⁸ The “new thinking” of experts who embraced these ideas helped to moderate the political stalemate between the US and the UK, as well as domestic stalemates.¹¹⁹ Ikenberry explains that the postwar economic order came about because these experts helped governments to pin down their own interests at a historical juncture. He makes several claims with this argument. First, he suggests

¹¹¹ Ibid., 59.

¹¹² Ibid., 61.

¹¹³ Ibid., 63.

¹¹⁴ Ibid., 85.

¹¹⁵ Ibid.

¹¹⁶ Ibid.

¹¹⁷ Ibid.

¹¹⁸ Ibid., 58.

¹¹⁹ Ibid.

that both internal and external disagreements in the negotiations had to be overcome to reach a settlement. For instance, while the US State Department – led by Hull – wished for a multilateral, open trading regime, the British wartime cabinet “wanted to ensure full employment and economic stability” and hence supported “the continuation of the imperial preference system and bilateral trading.”¹²⁰ This aligned with the respective interests of the US as the rising hegemon and the UK as a declining power. Second, an epistemic community of Keynesian-minded economists flourished and gained power, and they shared common interests on the monetary front. Increasingly influential Keynesian monetary ideas undercut “the State Department’s more conventional but contested free-trade position”, revealing a set of common interests between the Americans and the British.¹²¹ These Keynesian monetary ideas came to define the Bretton Woods system, and an agreement on the monetary ground broke the stalemate over the trade negotiations. Third, Ikenberry writes, these experts’ ideas created a common ground despite political disagreements, meaning that new kinds of cooperation became possible. For Ikenberry, the Bretton Woods agreement was ultimately possible not because of these experts’ ideas but because the political circumstances became ripe for these ideas. Paralleling embedded liberalism, these ideas “defined a middle ground between the old and contentious alternatives of laissez-faire and interventionism.”¹²² The new conditions and coalitions that emerged from these ideas reflected new postwar visions of what “Western capitalist democracies” should look like.¹²³

Monetary experts were hence defining and articulating ideas in the midst of political disagreements between the US and the UK. White and Keynes led and collaborated among these experts, and Ikenberry regards Keynes’s role as the greater of the two.¹²⁴ However, he highlights the role of the other British and American economists and experts — whom he describes as “liberal-minded international economists” — who shared Keynesian views and had also learned lessons from recent global events.¹²⁵ Ikenberry sees that a consensus among these experts was based on three key points. These included: first, a desire for “currency stability and the convertibility of currencies”; second, an agreement that international reserves would have to facilitate assistance for nations in deficit; and third, an agreement that international trade and moving capital had to be balanced with stability and full employment in domestic economies.¹²⁶ These experts hence agreed to balance openness with management in the global economy, which slightly contrasted with the US’s desire for free trade. Overall, in line with Goldstein and Keohane’s framework, at an uncertain moment during which possibilities were numerous, these experts came to an agreement that reset the world economic order yet reinforced US hegemony.

Further, this agreement echoed increasingly internationalist sentiment in the US. These sentiments had developed in the 1930s. During the London Economic Conference of 1933, Roosevelt had expressed isolationist economic thinking when he stated that the “sound internal economic system of a nation is a greater factor in its well-being than the price of its currency”.¹²⁷ However, during the Bretton Woods conference in 1944, he stated just the opposite: “the economic

¹²⁰ Ibid.

¹²¹ Ibid., 59.

¹²² Ibid.

¹²³ Ibid.

¹²⁴ Ibid., 68-69.

¹²⁵ Ibid., 69.

¹²⁶ Ibid., 69-70.

¹²⁷ Ikenberry, “Creating Yesterday’s New World Order”, 71.

health of every country is a proper matter of concern to all its neighbors, near and distant”.¹²⁸ This drastic change exemplifies the rise of internationalist economic views in the US. Overall, both Keynesianism and American internationalism underpinned discussions at Bretton Woods, providing “a stimulus to that planning as well as a ready audience.”¹²⁹ Ikenberry notes that a shared sense of anticipation and determination marked these talks.

Besides Keynesianism and American internationalism, Ikenberry also identifies a national security argument regarding the growing understanding for a need for the US to cooperate with the UK. He refers to the work of Nicholas Spykman, who argued that a “hemispheric bloc” alone would not serve US interests; many experts followed him in this line of thinking.¹³⁰ Further, during the war, American military experts also took a global view of postwar objectives. Economic and political thought began to reflect such ideas in 1941; members of the Council on Foreign Relations began to consider the areas in the world on which the US economy depended, which they termed the “Grand Area”.¹³¹ The attack on Pearl Harbor only reinforced the belief that the US and the UK would need to work together and consider their place in a global economy.

While Gardner views Bretton Woods through the lens of discordant British and American interests, Ikenberry paints a picture of negotiators who found a common ground that would also appease the US. He therefore makes a case for the importance of ideas over power, largely because ideas allow political interests to come to fruition. Ikenberry’s is a story in which Keynes and White are both full-fledged Keynesians, who had the same ideas about the monetary system but different interests.

Helleiner, echoing Ikenberry, sees a Keynesian consensus. For Helleiner, “the embedded liberal normative framework in finance was strongly backed by a new alliance of Keynesian-minded state officials, industrialists, and labor leaders who had increasingly replaced private and central bankers in positions of financial power”.¹³² As such, while bankers favored a liberal ideology, Keynesian thinkers advocated intervention such that finance would serve rather than control government and the economy. Overall, faced with this dichotomy, policymakers after WWII decided to pursue stability and therefore forfeit free finance. This reassigned financiers to a “second-class status”.¹³³ Helleiner observes that this change created a “division between embedded liberals and bankers”; in this sense, Keynes and White were actually less opponents than associates working against bankers.¹³⁴ The system of control resulting from Bretton Woods therefore arose from Keynes and White’s joint embedded liberal views and divided the previously united bankers of the UK and the US.

In “The Universally Keynesian Vision of Bretton Woods” (2019), James Boughton also echoes Ikenberry’s narrative and sees both White’s and Keynes’s plans as Keynesian. He defines the term Keynesian and Keynesian economics normatively and positively. “Normatively,” Boughton writes, Keynesianism “is a conviction that, because the invisible hand will not maintain macroeconomic balance on its own, national governments have a responsibility and should accept

¹²⁸ Quoted in *Ibid.*, 71-72. Ikenberry quotes the following as Footnote #43: “Roosevelt’s opening message to the Bretton Woods Conference, July 1, 1944, in U.S. Department of State, *Proceedings and Documents of United Nations Monetary and Financial Conference*, vol. 1 (Washington, D.C.: U.S. Government Printing Office, 1948), p. 71.”

¹²⁹ *Ibid.*, 72.

¹³⁰ *Ibid.*, 63.

¹³¹ *Ibid.*

¹³² Helleiner, E. (1994). *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s*. Ithaca, NY: Cornell University Press, 4.

¹³³ Lawrence Krause quoted in *Ibid.*

¹³⁴ *Ibid.*, 50.

as a primary goal to promote full employment and price stability.”¹³⁵ He then argues that, “positively”, Keynesianism posits that economic policies can effectively help nations to achieve full employment and price stability.¹³⁶ As such, Keynesianism elevates the state but does not advocate for the state to “replace or undermine private markets.”¹³⁷

Boughton argues that White was a Keynesian thinker and that his differences with Keynes and other British delegates were due to technicalities or national interests. He reinforces his point by pointing out that, in effect, both White and Keynes thought that international coalitions and controls would lead to prosperity. Further, Boughton aims to establish that White had long been a committed Keynesian. He cites, for instance, a paper that White co-authored in 1932 during his PhD at Harvard on using economic policy to tackle the effects of the Depression. The paper was not published, but it “anticipated the New Deal by a year and prefigured the analysis of Keynes’s *General Theory* by four years.”¹³⁸ Later, Jacob Viner of the US Treasury recruited White to analyze New Deal policies.¹³⁹ Once in the Treasury, White spent a decade advocating for the gold standard apart from in “periods of stress”, when the dollar price of gold could be changed to stave off the effects of gold shortages.¹⁴⁰ Furthermore, in the 1930s, both Keynes and White began to ideate a “fixed but adjustable” exchange rate standard, and these ideas provided the basis of the IMF.¹⁴¹ In fact, during this time, White actually believed that more spending on New Deal programs and more relaxed monetary policy would benefit the economy. For instance, in 1938 he persuaded the Treasury “to stop sterilizing gold inflows so that the gold could support an increase in the money supply and to encourage the Federal Reserve to reverse the disastrous increase in reserve requirements of 1936.”¹⁴² Internationally, White promoted cooperation to reverse the effects of the Depression. For instance, he was a leading organizer of the Tripartite Agreement which France, the UK, and the US signed in 1936, which mandated that they would work together on setting exchange rates. He also aimed to support developing countries through the US Exchange Stabilization Fund, as well as purchasing gold and silver. Finally, he tried (though failed) “to establish a multilateral development bank for Latin America.”¹⁴³ All of these activities were characteristic of Keynesian thought.

In *Harry White and the American Creed: How a Federal Bureaucrat Created the Modern Global Economy (and Failed to Get the Credit)* (2022), Boughton sketches a biography of White before explaining his role at Bretton Woods. Compared to other works, Boughton focuses on proving White’s honesty regarding espionage allegations for the Soviets. He argues that White did

¹³⁵ Boughton, J. M. (2019). “The Universally Keynesian Vision of Bretton Woods”. In Lamoreaux & Shapiro (Eds.), *The Bretton Woods Agreements*, 77-94, 78.

¹³⁶ Ibid.

¹³⁷ Ibid.

¹³⁸ Ibid., 79.

¹³⁹ Ibid., 80; for Viner’s ideas, please refer to sources such as: Viner, J. (1932). “International Aspects of the Gold Standard”. In Q. Wright (Ed.), *Gold and Monetary Stabilization*. Chicago, IL: University of Chicago Press, 3-39; Viner, J. (1947). “International Finance in the Postwar World”. *Journal of Political Economy*, 55, 97-107; Viner, J. (1951). *International Economics*. Glencoe, IL: Free Press; Viner, J. (1951 [1943]). “Two Plans for International Monetary Stabilization”. *Yale Review*, 33, 77-107; Viner, J. (1951 [1944]). “The Bretton Woods Agreements”. In M. Shields (Ed.), *International Financial Stabilization: A Symposium*. New York: Irving Trust, 52-68; Viner, J. (1974 [1951]). “International Economic Cooperation”. In W. Wilcox & R. B. Hall (Eds.), *The United States in the Post-War World*. Ann Arbor, MI: University of Michigan Press, 15-36.

¹⁴⁰ Boughton, “The Universally Keynesian Vision of Bretton Woods”, 80.

¹⁴¹ Ibid.

¹⁴² Ibid.

¹⁴³ Ibid.

not cooperate with the Soviet government and that the case lacks evidence. In this focus, Boughton aims not to write another history of Bretton Woods but to examine events that were prominent for a critical conference delegate, and therefore influenced the negotiations' results.

Boughton writes that White saw opposing US and British interests as a result of different interwar experiences. While British people generally believed that the return to the gold standard in 1925 had damaged their economy, the US population believed that an international *lack* of adherence to the gold standard had damaged *their* economy. Therefore, Keynes and the British wanted to avoid restrictions reminiscent of the gold standard, while White and the Americans wanted a more rigid way to fix exchange rates. This is perhaps one reason why White was more gold-centric.

For Boughton, the IMF had a Keynesian purpose, a fact that is often forgotten due to US dominance in the negotiations. Further, the IMF was meant to spur more Keynesian policy such as active management and fewer “trade barriers and autarkic or mercantilist economic policies.”¹⁴⁴ Considering this conclusion, Ngaire Woods agrees that, without White, the US might have taken a more isolationist approach, but “White’s personal convictions were vital in framing U.S. preferences and support for creating multilateral institutions”.¹⁴⁵

In “The Missing Bretton Woods Debate over Flexible Exchange Rates” (2019), Douglas Irwin investigates “why the case for floating exchange rates was not taken seriously in the discussions about the international monetary system in the late 1930s and 1940s.”¹⁴⁶ He argues that it was because people associated them with instability and a disinclination toward international trade. All in all, people wanted stable exchange rates with a few adjustments, not floating exchange rates. Both Keynes’s and White’s plans reflected this desire with the admission that exchange rates would have to be adjusted in the case of payment imbalances. However, they differed slightly: Keynes outlined a way to determine when and how a nation could adjust the value of their currency, while White’s plan did not accommodate changes so readily and required “member states to secure fund approval for any changes in parity.”¹⁴⁷ These ideas reflected national interests. While White’s less accommodating plan reflected the US’s desire to protect the value of the dollar, Keynes’s plan reflected the British desire for the pound not to be overvalued. At the end of the day, regardless, both were Keynesian.

In *Monetary Order and Bretton Woods: The Construction of an International Monetary Order* (130), Filippo Cesarano examines Bretton Woods from a history of economic and monetary theory angle. As such, he describes Bretton Woods as a “culmination of the evolutionary process that began after WWI, driven by the interplay of major shocks and advancement in economic theory.”¹⁴⁸ He views the agreed post-WWII monetary regime as a break with the gold standard, because Bretton Woods was the culmination of a decades-long shift toward “fiat money”. His historical lens sheds light on this shift. In making his arguments, he quotes Robert Mundell’s system versus order distinction, that is, the “mechanism that links the world’s currencies in different markets... [versus] the body of rules within this system,” and his argument that there were “only three monetary orders: the Roman-Byzantine empire, the gold standard, and Bretton

¹⁴⁴ Boughton, J. M. (2022). *Harry White and the American Creed: How a Federal Bureaucrat Created the Modern Global Economy (and Failed to Get the Credit)*. New Haven, CT: Yale University Press, 375.

¹⁴⁵ Woods, *The Globalizers*, 21.

¹⁴⁶ Irwin, D. A. (2019). “The Missing Bretton Woods Debate over Flexible Exchange Rates”. In Lamoreaux & Shapiro (Eds.), *The Bretton Woods Agreements*, 56-74, 57.

¹⁴⁷ Ibid., 64.

¹⁴⁸ Cesarano, *Monetary Order and Bretton Woods*, 130.

Woods.”¹⁴⁹ This latter statement leads Cesarano to draw attention to Bretton Woods’s peculiarity. It was unique in the sense that, “for the first time ever, a group of experts was designing a new international monetary order.”¹⁵⁰

Cesarano’s comparison of the White Plan versus Keynes’s situates them as proposals for the same issues: “the abandonment of fixed exchange rates, hindrances to multilateral trade, asymmetry in the adjustment process.”¹⁵¹ Under the Keynes Plan, aside from his ideas about *bancor*, gold was not to play a significant part; Keynes aimed to distance the world from the gold standard. On the other hand, White’s plan was less drastic, based on free trade and gold. Cesarano suggests that White’s more traditional, conservative plan was “lacking in originality” and “tiresome indeed for the reader” in contrast to Keynes’s exciting new plan.¹⁵² Keynes himself considered White’s Stabilisation Fund as “not much more than a version of the gold standard, which simply aims at multiplying the effective volume of the gold base.”¹⁵³ Keynes also remarked that White’s scheme would serve only countries with gold in reserve, and that countries with little gold would receive relatively little support. He went as far as to say that the White plan was “drafted with gross selfishness in the interests of a country possessing unlimited gold”.¹⁵⁴ In parallel, the Americans did not want to accept Keynes’s idea to use *bancor* as it would render gold less significant.

All in all, Cesarano emphasizes that the shared Keynesian vision of Keynes and White for full employment was what carried the Anglo-American discussions to its successful completion. In effect, Cesarano argues that Keynesianism slowly gained prominence until it was so dominant as to be “a decisive factor in the evolution of the Bretton Woods monetary system.”¹⁵⁵

Regarding Bretton Woods’s Keynesian framework, Richard N. Cooper explicitly echoes Cesarano. He agrees that the dominance of Keynesianism led to a Keynesian outcome at Bretton Woods; that is, that the aim of economic policy was stability and full employment, not fixed exchange rates or anything resembling the gold standard – what Keynes called that “barbarous relic”. For Cesarano as well as Cooper, Bretton Woods was operating in a Keynesian universe.

Jacqueline Best’s *Limits of Transparency* (2005) traces the role of ambiguity in the creation of the Bretton Woods agreements, finding that the result was ambiguous, be it “the scope of the IMF’s power, the role of capital controls, the balance of responsibility between creditor and debtor states,” or, most importantly, the definition of “fundamental disequilibrium”.¹⁵⁶ She concludes that ambiguity, in a constructive manner, essentially enabled “institutional flexibility and negotiability.”¹⁵⁷ Best sees Keynes as the most significant figure in the agreement. She sees the post-WWII settlement as essentially Keynesian and quotes Jonathan Kirshner, who argued that Keynes originated the ideas of embedded liberalism and tempering the market, not Polanyi. In her understanding, the negotiations aimed to avoid old problems created by the gold standard, and this was a fundamentally Keynesian goal.

In *The Globalizers: The IMF, the World Bank, and Their Borrowers* (2006), Woods takes White to be Keynesian. She writes that White and Keynes agreed that governments should have

¹⁴⁹ Ibid., 3-4.

¹⁵⁰ Ibid., 133.

¹⁵¹ Ibid., 17-18.

¹⁵² Ibid., 140.

¹⁵³ Ibid., 144.

¹⁵⁴ Quoted in Ibid., 161.

¹⁵⁵ Ibid., 165.

¹⁵⁶ Best, J. (2005). *Limits of Transparency*. Ithaca: Cornell University Press, 1.

¹⁵⁷ Ibid., ix.

the ability to stimulate economic growth, just as Roosevelt did during the Depression. Further, the negotiations ultimately put Keynesianism into practice globally, “paving the way to multilateral government intervention to foster growth, employment, and equity.”¹⁵⁸

Ed Conway’s treatment of Bretton Woods in *The Summit, Bretton Woods, 1944: J.M. Keynes and the Reshaping of the Global Economy* (2014) is intended for a general audience. Its tone and language are less academic compared to other aforementioned works. The book considers White’s role, yet not his economic ideas, and analyzes the conference in detail, week by week. Conway has a section on the Atlantic City Conference but does not consider it in depth. Instead, he is interested in the “sheer human drama” of the conference.¹⁵⁹ He also finds previous work on Bretton Woods lacking in its treatment of Russia, despite Russia’s major role in the negotiations, and he expresses surprise that no one before him had looked at key papers on Russia’s role since Soviet archives became available to the public. Conway’s story, all in all, is focused on decision-makers themselves, their personalities, and their intentions. Conway considers both White and Keynes as Keynesian, writing that both had realized that the gold standard was no longer viable. In Conway’s narrative, both Keynes and White wanted to do away with gold.

This dissertation takes the view that, in the power versus ideas dichotomy (Gardner versus Ikenberry), White’s ideas significantly contributed to the resulting scheme, and he was more of a gold supporter than purely Keynesian. His gold-centric ideas were important for the result.

Singular (American) Versus Multilateral (Global South) Origins-Based Explanations

There also have been challengers to the aforementioned approaches in explaining the Bretton Woods outcome. Helleiner finds that, though some researchers have considered the role of the global South, most narratives focus on Britain and the United States. Helleiner contends that this is the case with Steil and draws attention to Steil’s suggestion that, “other than the United States, United Kingdom, and Canada, few delegations came equipped to make intellectual contributions to the architecture of the fund or the bank”.¹⁶⁰ While Steil emphasizes the importance of White for the negotiations beyond the Anglo-American debates, Helleiner underlines the importance of the Global South.

In *Forgotten Foundations of Bretton Woods: International Development and the Making of the Postwar Order* (2014), Helleiner takes issue with the notion that Bretton Woods was an Anglo-American negotiation that ignored the global South. He argues instead that international goals regarding support for Southern development were a prominent feature of negotiations that led up to Bretton Woods. Helleiner points out that one of the World Bank’s goals was development “from the beginning and was not an afterthought, as has sometimes been argued.”¹⁶¹ As such, the international development concerns of Latin America, East Asia, and China were treated fairly in the negotiations and given voice in the resulting Anglo-American Financial Agreement. The book considers White’s development-focused ideas as well. Helleiner finds that most research obscures the actual significance of Southern officials in the results of the Bretton Woods system. He hence argues that the negotiations had a “pioneering role in incorporating these [international development] goals into a liberal multilateral financial architecture for the first time.”¹⁶² As such,

¹⁵⁸ Woods, *The Globalizers*, 21.

¹⁵⁹ Conway, *The Summit, Bretton Woods, 1944*, xxii.

¹⁶⁰ Helleiner, *Forgotten Foundations of Bretton Woods*, 6.

¹⁶¹ Boughton, *Harry White and the American Creed*, 145.

¹⁶² Helleiner, *Forgotten Foundations of Bretton Woods*, 2.

it is wrong to consider Bretton Woods as purely Anglo-American. Rather, they included fruitful discussions between North and South for the first time when shaping the world's financial future.

Further, in his article "How the Bretton Woods Negotiations Helped to Pioneer International Development" (2019), Helleiner reinforces his point that international development was a large part of the negotiations, a point that historical narratives often miss out. More specifically, the pioneering delegates established "for the first time a new kind of multilateral economic framework that aimed to assist the economic development of poorer countries."¹⁶³ In direct challenge to Gardner's notion that the development of the less-developed countries was insignificant in postwar planning and barely featured in White's first planning drafts, Helleiner contends that White's early plans actually do evidence support for international development. Helleiner hence considers White, but with a development lens – he does not focus on White's gold-centric ideas.¹⁶⁴

This dissertation takes the view that in the singular versus multilateral origins dichotomy (Steil versus Helleiner), White as an individual exerted crucial influence over Bretton Woods's ideation, and at the conferences his ideas were triangulated by the Treasury as well as international gold supporter delegations.

Chapters and Methods

Chapters

Chapter I – Introduction and Literature Review.

This chapter has looked at the existing explanations for the Bretton Woods outcome in general. I focus on ideas versus power, as well as singular versus multilateral origins dichotomies. In the literature, there is no work that specifically focuses on the role of gold or White's gold-centric ideas for the formulation of the Bretton Woods system.

Chapter II – Theory.

Here, I refer to relevant work on the three I's – ideas, interests, institutions –to provide an International Political Economy (IPE) framework for my work. Broadly, through my research, I intend to contribute to the literature on the role of ideas shaping policy outcomes.

Chapter III – Keynes, Early White, and White's 1934 *Selection of a Monetary Standard for the US*.

This chapter draws on primary source material from White's writings. Most of the material brought forward here are original contributions in that they have been almost entirely missed in previous accounts. The evidence shows that White's economic ideas remain underconceptualized. The White Papers are held at Princeton University's Seeley G. Mudd Manuscript Library, and they

¹⁶³ Helleiner, E. (2019). "How the Bretton Woods Negotiations Helped to Pioneer International Development". In Lamoreaux & Shapiro (Eds.), *The Bretton Woods Agreements*, 195-214, 195-196.

¹⁶⁴ For Helleiner's further work on the Bretton Woods, please refer to: Helleiner, *States and the Reemergence of Global Finance*; Helleiner, E. (2006). "Reinterpreting Bretton Woods: International Development and the Neglected Origins of Embedded Liberalism". *Development and Change*, 37(5), 943-967.

include his correspondence, memoranda, notes, and writings. For Chapter III, delving into White's economic ideas, I first consider his unpublished 1934 work, "Selection of a Monetary Standard for the US".

Chapter IV – White's 1939-1942 *The Future of Gold*, and the White Plan for Bretton Woods.

In this chapter, paralleling the previous chapter, I analyze White's unpublished work, "The Future of Gold", as a primary source from the Princeton's Mudd Library.

Chapter V – En Route to Bretton Woods: The Atlantic City Conference, June 1944.

The Atlantic City Conference, where 17 nations met in June 1944, immediately preceded the Bretton Woods Conference of July 1944. It was key in that the plans for the global monetary order were discussed beyond Anglo-American policymakers but by many nations. As there is no work in the literature that studies the proceedings of the Atlantic City Conference, looking at the Atlantic City minutes and negotiations can make a meaningful contribution. The Atlantic City Conference documents were published in 2019 by the Center for Financial Stability as a 552-page compilation titled *Just Before Bretton Woods*, and it includes conference minutes, related documents, and commentary. The book features the preconference documents, "Joint Statement on an International Monetary Fund," as well as the "Proposal for a Bank for Reconstruction and Development." It then includes transcripts from the American, British, and Allied meetings. In light of my research question, I trace the discussions around the role of gold.

Chapter VI – The Bretton Woods Conference, July 1944.

The Bretton Woods Conference was held in New Hampshire in the summer of 1944, from July 1 to 22. A joint statement featuring White's and Keynes's ideas – but more heavily White's – was presented in the beginning to open up space for further discussion, this time beyond the purely Anglo-American negotiations. At Bretton Woods, 730 delegates from 44 Allied nations were present. The IMF and the World Bank were established as a result of the conference. Regarding how these two institutions were set up, mostly White's program was implemented. As in the previous chapter, I mainly trace the role of gold in discussions, while also surveying important further topics discussed – such as quotas, voting power, sterling balances, gold depositories, and more – which are not directly relevant to gold but nonetheless important for the American vision of a post-WWII global monetary system.

I refer to four key publications: first, the Bretton Woods documents that have been published by the Center for Financial Stability with the title *The Bretton Woods Transcripts*; second, *Proceedings and Documents of the United Nations and Financial Conference Bretton Woods 1944* published by the US Government Printing Office, Washington in 1948, which I accessed digitally via the Federal Reserve Bank of St. Louis; third, the three-volume compilation of the IMF documents by Keith Horsefield, especially *Volume III: Documents*; and fourth, *The Bretton Woods Agreements* edited by Naomi Lamoreaux and Ian Shapiro.

The Bretton Woods Transcripts is a verbatim record of the conference minutes and transcripts from Commission I (the Fund), Commission II (the Bank), and Commission III (Other Means of International Financial Cooperation), as well as their committees. Transcripts are

important because they were not readily accessible to previous researchers. They provide more information than the State Department's two-volume source published in 1948, *Proceedings and Documents of the United Nations and Financial Conference Bretton Woods 1944*, which only contains the conference minutes; that is, they are summaries rather than the discussions themselves. In *The Bretton Woods Transcripts*, despite Keynes's gradual doing away with gold, "its hold on participants, or at least their occupation with gold, is reflected in the fact that it is mentioned in one context or another on fully one quarter of the pages."¹⁶⁵

Keith Horsefield's three-volume study of the IMF looks at the twenty years of international monetary cooperation, focusing on the Anglo-American nature of the negotiations. Horsefield's volume includes four parts titled as: Before Bretton Woods, Basic Documents, Fund Pronouncements, and After 1965. I focus on the Part I - Before Bretton Woods section, which features the Keynes Plan and the White Plan. From Part II – Basic Documents, I focus on the Articles of Agreement.

The Bretton Woods Agreements edited by Naomi Lamoreaux and Ian Shapiro includes articles to which I referred in my literature review, but in its historical documents section, it also includes the following as chapters: Articles of Agreement, White Plan, Keynes Plan, French Plan, Joint Statement, Final Act, Speeches and Debates.

Chapter VII – Conclusion.

This chapter outlines contributions to IPE. Further, it surveys the weaknesses of Bretton Woods institutions, searching for failures in the Bretton Woods origins.

Methods

Chapters II and III mainly consider ideational variables. Chapter V and Chapter VI, looking at the Atlantic City and Bretton Woods conferences, respectively, use a process tracing approach. In Chapter V and VI, I triangulate White's preference for an enhanced role for gold with the US Treasury's preference for gold and the international support for gold.

My research is informed by process tracing literature, specifically the literature on the role of ideas, personalities, and power. As aforementioned, there is a tension between structural factors (exogenous constraints and opportunities for political action created by the material surroundings of actors) and ideational ones (outcomes are at least partially the product of how actors interpret their world through certain ideational elements). In the literature, focus levels are also divided into two. Macro level stands for structural, system-level theories. Micro level looks at how individuals' interests and beliefs affect their actions; that is, how individuals interact with each other. My project has a micro-macro level focus; namely, it looks at transformational situations in which individuals' behavior creates changes at the macro level and considers how ideas were crucial in determining Bretton Woods's outcome. On the other hand, it undeniably has a reverse aspect — a macro-micro level take — namely a situation in which social structures constrain actions. Arguably, Keynes's ideas were shut down due to the power asymmetry between the US and the UK.

¹⁶⁵ Cooper, R. N. (2014). [Review of the book *The Bretton Woods Transcripts*, ed. by Kurt Schuler and Andrew Rosenberg]. *Journal of Economic Literature*, 52(1), 211-49, 236.

If we take process tracing to be grouped as theory building, theory testing, and explanation-outcome, my focus will be on explaining-outcome.¹⁶⁶ Explaining-outcome process-tracing literature is relevant since I am interested in a single, unique event with competing explanations – materialist versus ideational. This kind of approach takes a specific case and aims “not to build or test more general theories but to craft a (minimally) sufficient explanation of the outcome of the case where the ambitions are more case-centric than theory oriented.”¹⁶⁷ This helps to explain how the role of gold at Bretton Woods came about through specific within-case inferences.

To deduce how White distinguished himself from the Keynesian discourse of the time, my process tracing focuses on ideas. To form this theory of ideas, one condition is that ideas “must have a source exogenous to material features of the present choice situation.”¹⁶⁸ This necessitates that the idea must be traceable to an external source that existed before the decision under consideration.¹⁶⁹ For White’s case, this would mean that his insistence on gold reserves as a deciding factor for IMF quotas at Bretton Woods, for instance, was not just because it was in the US’s best interests — as Europe was devastated in wartime, the US possessed most of the gold reserves. Rather, White himself had a gold-centric intellectual ancestry that long preceded WWII and Bretton Woods, independent from how the Bretton Woods negotiations were unfolding. White’s decision-making ideally should also show consistency over an extended time in relation to changing material circumstances. Using process tracing for the conference transcripts, I trace when, by whom, and how the role of gold was discussed at the proceedings.

Concluding Remarks

All in all, in the literature, there is no work that specifically looks at the role of gold in the Bretton Woods negotiations. There is also no work that fully considers White’s 1934 unpublished report written for the US Treasury, “Selection of a Monetary Standard for the US”, as well as his unpublished “Future of Gold” writings of 1939-1942, or how the role of gold more specifically evolved throughout the discussions at the Atlantic City and the subsequent Bretton Woods conferences. It will be important to consider to what extent ideas versus materialist explanations caused the Bretton Woods system to attach so great a role to gold when the world had already seen the difficulties of a gold-based system. By the eve of Bretton Woods, the US was the foremost country fulfilling the role of the aforementioned “top currency” in Susan Strange’s terms, and as such it had the material power to dictate a regime. However, the system’s gold-centric design, as I trace in the next chapters, was arguably due to ideational variables – the very gold-centric thinking that White espoused. Further, compared to Ikenberry’s version that emphasizes harmony between the US and the UK, there were indeed many hard negotiations at Bretton Woods. Bretton Woods was more like a battle than a consensus. Further, within the singular versus multilateral origins dichotomy, White had an oversized ideational influence in the outcome. The first two empirical

¹⁶⁶ Beach, D., & Pedersen, R. B. (2013). *Process-Tracing Methods: Foundations and Guidelines*. Ann Arbor, MI: University of Michigan Press, 13.

¹⁶⁷ Ibid., 3. For instance, “instead of studying mechanisms that cause war (Y), the analysis would focus on explaining a particular outcome such as World War I”: Ibid., 11.

¹⁶⁸ Jacobs, A. (2014). “Process tracing the effects of ideas”. In A. Bennett & J. Checkel (Eds.), *Process Tracing: From Metaphor to Analytic Tool*. Cambridge: Cambridge University Press, 41-73, 44.

¹⁶⁹ Ibid., 65. Jacobs further elaborates on this as, “Any test of an ideational explanation must seek evidence that: (1) decision-makers possessed particular cognitions (a measure of the independent variable); (2) those cognitions shaped their choices (evidence of a mechanism of influence); and (3) those cognitions were not simply reducible to material features of the circumstances of choice (evidence of exogeneity of the independent variable”: Ibid., 45.

chapters show him having gold-centric ideas. The second two empirical chapters show that White's gold-centric ideas found support within the Treasury and from other nations, resulting in the Bretton Woods outcome.

In analyzing the Atlantic City and Bretton Woods conferences, I refer directly to transcripts, not minutes. The main previously available source for the Bretton Woods was the 1948 publications of the State Department containing only the minutes. The Atlantic City conference did not have such a meeting minutes publication. By going directly to the transcripts, my hope is to shed light upon what issues were at stake for the delegates. Through the transcripts, both conferences come alive.

Chapter II: Theory

Across history, order has followed war.¹ Great wars act as major shocks to the status quo, and when the dust settles, nations gather to broker peace and settle agreements. The genesis of the Bretton Woods regime was such a moment. In fact, “never has a single state emerged so dominant after so consequential a war; and never has there been a great power that has sought to institutionalize the postwar order so thoroughly.”² Possible explanations for the role of gold within the Bretton Woods system, and the structures that led the United States, United Kingdom, and the other 42 signatory countries down this gold-paved path, can be analyzed through the lens of ideas, interests, and institutions (the three I’s framework). What was the domestic context? Who were the individuals of importance, and to what extent have their ideas been important, materialized, and institutionalized? This chapter seeks to establish the importance of ideas at crucial instances. The next chapter, carrying this framework to the context of Bretton Woods, considers why White was singularly important in the Treasury and starts surveying his ideas.

John Stuart Mill observed that “ideas, unless outward circumstances conspire with them, have in general no very rapid or immediate efficacy in human affairs; and the most favourable outward circumstances may pass by, or remain inoperative, for want of ideas suitable to the conjecture.”³ However, he argued that when circumstances and ideas suitably coincide, change happens quickly. Mill’s remark highlights the importance of non-ideational variables and hence the other two of the three I’s: interests and institutions. To him, circumstances for dissemination mattered. Keynes, on the other hand, emphasized the endogenous importance of ideas and claimed that, whether the ideas are good or bad, they dictate the global order. Furthermore, he remarked, “practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slave of some defunct economist.”⁴ He also suggested that ideas matter even more in the face of uncertainty or when dealing with matters of macroeconomic policy: wealth, for example, he viewed as a “distant” goal to be pursued with only “fluctuating, vague, and uncertain” knowledge.⁵ For Keynes, therefore, economics is actually subjective and often based in irrational interests that are back up by ideas. Neither economics nor political science has straightforward answers as perhaps natural sciences do. At crucial junctures, people with ideas pursuing their beliefs can be the crucial factor explaining certain policy outcomes.

Within international relations, agency is a significant concept in discussions of international security but less so in discussions of international political economy.⁶ When agency

¹ Ikenberry, J. (2019). *After Victory*. Princeton, NJ: Princeton University Press, xiii.

² Ibid., 9.

³ Mill, J. S. (1845). “The claims of labor”. *Edinburgh Review*, 81, 498-525, 503.

⁴ Keynes, J. M. (1936). *The General Theory of Employment, Interest and Money*. New York: Harcourt, Brace & World, 383. Keynes has suggested that ideas often carry greater weight than interests: “I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. Not, indeed, immediately, but after a certain interval; for in the field of economic and political philosophy there are not many who are influenced by new theories after they are twenty-five or thirty years of age, so that the ideas which civil servants and politicians and even agitators apply to current events are not likely to be newest. But, soon or late, it is ideas, not vested interests, which are dangerous for good or evil.” Ibid., 383-384.

⁵ Abdelal, R., Blyth, M., & Parsons, C. (2010). “Introduction: Constructing the International Economy”. In R. Abdelal, M. Blyth, & C. Parsons (Eds.), *Constructing the International Economy*. Ithaca, NY: Cornell University Press, 1-20. Authors quote from: Keynes, J. M. (1937). “The General Theory of Employment”. *The Quarterly Journal of Economics*, 51(2), 209-223.

⁶ Morrison, J. A. (2021). *England’s Cross of Gold*. Ithaca, NY: Cornell University Press, 315. Within international security agency-focused research, Morrison mentions Daniel L. Byman and Kenneth M. Pollack’s “Let Us Now Praise

does come into play, it is usually through a “story of [agents’] personalities.”⁷ Ideas and individual motivations therefore impact how institutions are built or developed. Given that “we know more about abstract agents dealing with abstract principals than we do about real bureaucrats dealing with real politicians,” work focused on individuals and their ideas could present significant outcomes.⁸

The genesis of Bretton Woods was arguably an event that constituted Knightian uncertainty, “where past events are not necessarily a reliable guide to future probabilities”, rather than risk, when agents know what they want to achieve but not how.⁹ In cases of genuine uncertainty, agents can neither refer to similar events to assign probabilities nor fully know what they actually want to achieve. In case of Knightian uncertainty, probabilities cannot be calculated and hence there is more reliance on endogenous factors as ideational variables.¹⁰ Their interests are therefore structured around ideas, rendering ideational variables endogenously crucial. Keynes echoed the same sentiments. Keynes agreed with Frank Knight that “we have no way of knowing the future: values and probabilities assigned to future outcomes need to be explained with reference to the person who assigns them, not an apparently objective reality, an approach that has been labeled ‘economic subjectivism’.”¹¹ Deep, pervasive uncertainty is a fundamental constraint for policymakers.¹² In this vein, Keynes, who saw knowledge in a Cartesian way “as justified beliefs derived from experience and argument,” insisted that knowledge was insufficient in uncertain cases.¹³ Keynes, viewing classic economic theory as an attempt to construct the present while knowing little about the future, derided people who claimed that they could calculate future outcomes. Under uncertainty, sub-systemic variables such as ideas, domestic interests, and domestic institutions arguably gain stronger influence.

Given my research question – “How do we explain the role designated for gold in the Bretton Woods regime?” – and intention to start with White’s economic ideas (and hence his agency) to understand how we can explain the role of gold in the Bretton Woods system, in the subsystemic approaches literature below, I mainly focus on ideational variables and their institutionalization. I also survey some works that focus on domestic interests and domestic institutions.

Great Men: Bringing the Statesman Back In” (2001), as well as Elizabeth N. Saunders’ *Leaders at War: How Presidents Shape Military Interventions* (2011).

⁷ Ibid., 315. For instance, in one IPE agent-centered work about central banks, Christopher Adolph uses “the ideas and tools of modern political economy... emphasizing the political and institutional context in which central bankers operate” instead of central bankers themselves.” Adolph, C. (2013). *Bankers, Bureaucrats, and Central Bank Politics: The Myth of Neutrality*. Cambridge: Cambridge University Press, 2-3.

⁸ Ibid., 1. Adolph quotes Professor James March.

⁹ Abdelal, Blyth, & Parsons, “Introduction”, 12.

¹⁰ For further readings on uncertainty, please refer to: George A. Akerlof and Robert J. Shiller’s *Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism*; Jens Beckert and Richard Bronk’s *Uncertain Futures: Imaginaries, Narratives, and Calculation in the Economy*; Jens Beckert’s *Imagined Futures: Fictional Expectations and Capitalist Dynamics*; Robert J. Shiller’s *Narrative Economics: How Stories Go Viral and Drive Major Economic Events*; Richard Bronk’s *The Romantic Economist: Imagination in Economics*; and Stephen C. Nelson and Peter J. Katzenstein’s *Uncertainty, Risk, and the Financial Crisis of 2008*.

¹¹ Woll, C. (2010). “Firm interests in uncertain times: Business lobbying in multilateral service liberalization”. In Abdelal, Blyth, & Parsons (Eds.), *Constructing the International Economy*, 137-154, 139.

¹² Widmaier, W. (2010). “Trade-offs and trinities: Social forces and monetary cooperation”. In Abdelal, Blyth, & Parsons (Eds.), *Constructing the International Economy*, 155-172, 159.

¹³ Woll, “Business lobbying in multilateral service liberalization”, 139. Woll quotes from Keynes’s 1973 work, *Treatise on Probability*.

Ideational Variables

Throughout my study of ideas, I refer to ideational variables rather than constructivism. In one of the first-generation constructivist projects, *The Culture of National Security* (1996), Peter Katzenstein focuses on ideas within international security literature. He and his collaborators look at the “terrain of long-dominant rationalist-materialist realism in security studies to elaborate the core themes of a constructivist research program.”¹⁴ Having bracketed that, I mainly survey work on international political economy. Instead of referring to constructivism, I refer to “ideational variables” in general, incorporating Judith Goldstein and Keohane’s work as well as other works on the three I’s – ideas, domestic interests, and domestic institutions – more broadly.

Ideas are “beliefs held by individuals.”¹⁵ The world is not run solely by interests, since ideas and interests motivate human action. Ideas have causal effects and they often matter more than interests. In fact, the way people’s interests impact policies matters as much as what their interests are. Market forces alter political entrepreneurs’ interests, and they maintain certain beliefs about the effect that their policy response will have, leading them to make decisions that they consider in accordance with their interests. Nonetheless, little contemporary work has paid enough attention to ideas, since people argue that they influence interests but have “no independent causal weight.”¹⁶ However, at times of uncertainty, when policy entrepreneurs are presented with policy options about which they have incomplete information, they rely on ideas. As Max Weber suggested, “very frequently the ‘world images’ that have been created by ‘ideas’ have, like switchmen, determined the tracks along which action has been pushed by the dynamic of interests.”¹⁷ He argued that ideas help policymakers to envision how political and economic policies need to respond to changes in market forces — even those market forces the effects of which are well understood. In front of a policy entrepreneur, there often lie many policies that can be argued as optimal from different viewpoints, for example, Keynesian versus neoliberal economics. What strategy a policymaker chooses will be according to their worldview, as there is no single true course of action. Therefore, their ideas about economics are the prime force when choosing between several paths. Interests are given, but how we reach those interests depends on what ideas we already have.

Beliefs become institutionalized in stages. Goldstein explores the process in four steps. First, the possibility for new policy emerges when the status quo stops meeting political needs. This policy window often opens due to an exogenous or endogenous shock — a time of crisis. Second, once policymakers or the public want change, they begin to search for a new policy. When the existing order is already undermined by shocks to the system such as wars or economic decline, people tend to rely on their own beliefs, regardless of how beneficial those beliefs are. Third, a period of “experimentation” ensues, leading to an agreement about what the new policy should look like or a return to how things were before.¹⁸ Fourth, “institutionalization” occurs whereby people analyze whether the new policy has had the desired effects and develop new rules and norms accordingly.¹⁹

¹⁴ Abdelal, Blyth, & Parsons, “Introduction”, 5.

¹⁵ Goldstein, J. & Keohane, R. O. (1993). *Ideas and Foreign Policy: Beliefs, Institutions, and Political Change*. Ithaca, NY: Cornell University Press, 3.

¹⁶ Goldstein, J. (1993). *Ideas, Interests, and American Trade Policy*. Ithaca, NY: Cornell University Press, xi.

¹⁷ Gerth, H., & Wright Mills, C. (Eds.). (1946). *From Max Weber: Essays in Sociology*. New York: Oxford University Press, 63-64.

¹⁸ Goldstein, *Ideas, Interests, and American Trade Policy*, 12.

¹⁹ Ibid.

Applying Goldstein's framework to Bretton Woods, nearing the end of WWII, a policy window opened. The world wars, the interwar period with many hardships such as the Great Depression of 1929, and countries going on and off the gold standard had acted as exogenous shocks. White, responsible for writing the US plan for the negotiations, entered in as political entrepreneur at large and propagated his ideas. White was in the right place at the right time for his ideas to materialize. As such, he became the "primus inter pares" as economic thinkers began to construct the postwar economic system.²⁰ White had "freedom of action" and could exert his agency.²¹

Institutionalized ideas have longitudinal influence and affect long-term policy changes, even long after their architects' interests have changed. More crucially, if ideas influence the way an organization is structured, those in and served by the institution will be influenced by those ideas. In the case of Bretton Woods, even though current account convertibility for Europe was not reached until 1953, and hence the Bretton Woods system could not take off right away, White's gold-centric approach became a cornerstone in Bretton Woods's institutional design and structure, as well as the larger monetary regime up until the system's demise in 1971–1973.

Goldstein's *Ideas, Interests, and American Trade Policy* (1993) is an empirical study of how ideas have causal effects and how institutionalization adds to their longevity. She identifies two popular ways to approach trade protectionism. One is that people can take "structural or neorealist approaches" which focus relative power; that is, more powerful nations tend to want open trade while those with less power tend to want protectionism.²² The other is a domestic interests approach, which focuses on interactions between stakeholders. Finding these two approaches insufficient to explain the American trade policy's bifurcated protectionist versus free trade patterns, Goldstein investigates the ideational variables. In her opinion, contradictory, convoluted, and "sticky" trade policies can only be analyzed through an archaeological endeavor; on one hand, old ideas are signed into law and carried as vestiges, and on the other hand, newer legislation is passed later as new ideas come to the fore. Goldstein therefore contends that American movement to openness in the 1940s didn't eliminate protectionist structures. For instance, "nineteenth-century protectionist economic doctrine and the post-World War II belief in the efficacy of markets both have contemporary legal manifestations."²³ As such, both protectionist versus open ideas "coexist in American law as legitimate objectives for trade policy."²⁴ Echoing the aforementioned four stages, Goldstein observes that economic shocks have always changed the direction of American commercial policy. The time and conditions in which a policy is proposed often determine how people evaluate its success, more so than how good the idea is. On the evolution of trade policy, Goldstein writes that many different trade policies could have worked well from when the Depression began, since the United States emerged as such a dominant power after WWII that any growth would have occurred with any more open trade policy. Regarding Bretton Woods, perhaps White's was not the best plan possible, but it held on because of the environment in which it was proposed. Given the dominant US position, many policies would have worked in US interests. But why did we have a system that relied on gold? Goldstein's empirical study of trade policy helps to raise questions about the Bretton Woods case.

²⁰ Boughton, J. M. (2021). *Harry White and the American Creed*. New Haven: Yale University Press, 3.

²¹ Ibid.

²² Goldstein & Keohane, *Ideas and Foreign Policy*, 4.

²³ Goldstein, *Ideas, Interests, and American Trade Policy*, 2.

²⁴ Ibid.

In her investigation of social economies, Nina Halpern aims to explain why non-Soviet countries adopted Stalinist policies. Power-based arguments advance that countries otherwise faced military invasion. For East European countries, this may hold true. However, some countries adopted Stalinist economic policies even when the Soviet Union did not want them to, therefore suggesting that Soviet ideas were more significant than Soviet power. Stalinist ideas did not just provide a roadmap but indicated what was “ideologically correct”.²⁵ Through a Stalinist framework, two major issues could be avoided: uncertainty and the need for consensus on a policy. This dual benefit led countries to adopt Stalinist policies that weren’t economically or politically necessary or mandated by force.

In *Ideas and Institutions: Developmentalism in Brazil and Argentina* (1991), Kathryn Sikkink looks at how developmentalist ideas were cobbled together and implemented in these two countries. She questions why scholars who devote their lives to ideas do not recognize their political significance.²⁶ She views “ideas about developmental strategies held by different groups... [as] the *causus belli* of policy outcomes.”²⁷ What developmentalist model will be selected and implemented is dictated more by different groups’ ideas than by these groups’ positions in their domestic sphere or a nation’s relationship to the international economy.

Mark Blyth emphasizes the constitutive role of ideas in institutional change. He looks at the institutionalization of ideas — more specifically, historical institutionalism and rational institutionalism. Institutionalism is concerned with the creation of order and what enables change; historical institutionalism is a sociological idea, and rationalist institutionalism is an economic idea. In the sociological framework, individuals do not have choices to make and primarily operate according to class or values dictated by “external structures and internalized norms.”²⁸ On the other hand, neoclassical economics takes an “undersocialized” view.²⁹ Both approaches focus on the way individuals create changes, but they view the individually differently and therefore view the role of ideas differently. Under historical institutionalism, the “oversocialized” individual creates order and change by instilling policy ideas on others.³⁰ Once people are entrenched in a “policy paradigm”, they merely follow it.³¹ Under rational institutionalism, however, individual ideas both come from and lead to individual action.

The United Kingdom’s return to gold in 1925 is yet another puzzle. While Jeffrey Frieden’s explanation for this is largely based on “interest groups trumping intellectuals’ ideas,” James Ashley Morrison in *England’s Cross of Gold* (2021) focuses on the significance of ideas themselves to explain why the United Kingdom chose to go back on the gold standard.³² Frieden writes that gold supporters associated the gold standard with maintaining the value of their assets.³³ Keynes’s arguments could not overpower people’s views that gold would protect them against inflation and protect their investments. Morrison, on the other hand, argues that structuralist-

²⁵ Goldstein & Keohane, *Ideas and Foreign Policy*, 13.

²⁶ Sikkink, K. (1991). *Ideas and Institutions: Developmentalism in Argentina and Brazil*. Ithaca, NY: Cornell University Press, 3.

²⁷ Blyth, M. (1997). “‘Any more bright ideas?’ The ideational turn of comparative political economy”. *Comparative Politics*, 29(2), 229-50, 232.

²⁸ *Ibid.*, 244.

²⁹ *Ibid.*, 244-245.

³⁰ *Ibid.*, 245.

³¹ *Ibid.*

³² Morrison, *England’s Cross of Gold*, 10-11.

³³ Frieden, J. (2007). *Global Capitalism: Its Fall and Rise in the Twentieth Century*. New York: W.W. Norton & Company, 154.

materialist accounts of Britain's return to gold do not sufficiently acknowledge the importance of ideational variables. Apart from some treatments of Ikenberry's, Morrison thinks that few scholars have taken both agency and ideas into account. He identifies three causes of the United Kingdom's return to the gold standard in the 1920s: "a zealous and widespread faith in 'orthodox' political economy; the reality that such beliefs were less an 'orthodoxy' than a mythology; and the theocracy to which this gave rise."³⁴ Since the United Kingdom was viewed as the heart of the gold standard system, the gold standard influenced the policies that British people viewed as feasible and potentially successful. Vis-à-vis a dynamic monetary order, the gold standard was easier for people to relate to. Morrison hence calls the gold standard an "economic religion" that gave people meaning and direction.³⁵ Further, he suggests that British people created a narrative that led to the gold standard being viewed as a vehicle for prosperity. The gold standard was hence the traditional answer to monetary calamities. Morrison's work analyzes "the individual actors who define money and its all-encompassing structures" and presents the gold standard as a form of religion to invoke the power of ideas.³⁶

Narratives are essential to questions in political economy. Morrison points to Knightian uncertainty literature to emphasize that, amidst uncertainty, it is common for decision makers to refer to the fictional narratives, expectations, and frameworks in which they believe. The interwar period was a moment of Knightian uncertainty. Decision makers themselves did not know what future risks would even constitute, so it was an easy call to go back to the traditional answer: gold standard orthodoxy. This had catastrophic consequences which could have been avoided had economists and financiers defined their policies differently. Individuals and their beliefs had a direct effect on British monetary policy. Quoting Jens Beckert and Richard Bronk's work, Morrison stresses that imagination helps people in times of uncertainty. Stephen C. Nelson and Peter J. Katzenstein, in their analysis of the 2008 financial meltdown from an ideational variables standpoint, found that, in contrast, many people rely on convention in the face of uncertainty. Either way, Morrison argues that narratives are important. Blyth, in *Austerity* (2013), also argues that stories contribute to ideas; in this case, how narratives about British interwar economics have contributed to recent austerity. In *Narrative Economics* (2019), Robert Shiller similarly argues that the stock market and, more broadly, the economy are affected by stories, whether true or misleading. Morrison argues that, "when faced with the endemic uncertainty of exchange rate politics, 'markets' in the interwar UK drew on social conventions, models, and imaginaries – what Blyth calls 'instruction sheets' to clarify their objectives and guide their paths."³⁷ Amid abstract and complex monetary theory decisions, they turned to the tradition — namely, the gold standard. Karl Polanyi similarly saw such faith in this system as a religious ideal. Overall, Morrison's study of England's return to gold standard in 1925 shows that individuals are as significant as wider structures because they give abstract economic concepts "meaning and significance".³⁸

Emphasizing ideational variables, Peter Haas traces the importance of ideas and their ability to create global coalitions via his "epistemic communities" framework. Haas defines epistemic community as a group of experts in a particular area with knowledge relevant to a particular policy. These epistemic communities "play [a role] in articulating the cause-and-effect relationships of complex problems, helping states identify their interests, framing the issues for

³⁴ Morrison, *England's Cross of Gold*, 6.

³⁵ Ibid., 7.

³⁶ Ibid.

³⁷ Ibid., 27.

³⁸ Ibid., 297.

collective debate, proposing specific policies, and identifying salient points for negotiation.”³⁹ Regarding the conclusion of Ikenberry’s study of epistemic communities vis-à-vis the Bretton Woods order, Haas argues that international distribution of power impacts the extent to which epistemic communities can influence states’ policy choices. In essence, epistemic communities present ideas and options from which countries can choose. However, distribution of power acts as the ultimate check on whether an idea can indeed materialize. Furthermore, Haas emphasizes that decision makers turn to epistemic communities at times of crisis, echoing both Morrison’s and Goldstein’s work. Crises and shocks open space for new ideas to be heard, meaning that policymakers ask experts for advice. The advice proffered, according to Haas, always depends on the expert’s own beliefs about reality.

In *The Currency of Ideas* (1998), Kathleen McNamara explains how and why European governments prepared for the Economic and Monetary Union (EMU) by linking their currencies. Creation of the EMU was not a just teleological end to greater political unity among the European states. Ideas held by central bankers and key political elites, who agreed that the EMU could create monetary stability and prompt neoliberal policies, defined the EMU’s content and trajectory. Exchange rate stability was preferred, and elites agreed on the neoliberal idea that low inflation was more important than growth or employment. McNamara’s template for how certain ideas come to prominence and affect policy change echoes Goldstein’s approach. McNamara identifies a three-step model — “failure, policy paradigm innovation, and policy emulation” — in the European Union which led to neoliberal monetary policies being enacted between 1972 and 1999.⁴⁰ She lists the events leading up to the EMU for the European Union as follows: “[an] oil crisis [spurring] a search for alternatives to traditional Keynesian policies...; monetarist theory [providing] a template and a legitimizing framework that made neoliberal, anti-inflationary policies a priority rather than employment or growth objectives...; [and] third and finally, Germany’s success with a pragmatic version of monetarist policy that emphasized a strong and stable currency.”⁴¹ Germany’s example was combined with neoclassical ideas, and the EMU was born.

McNamara, out of the three I’s, focuses on the role of ideas in the face of uncertainty. In doing so, she echoes Goldstein’s argument that ideas matter while disagreeing with contemporary scholars that interests have an external origin depending on someone’s position in the political or economic order. This rationalist approach is confronted by scholars who investigate ideational variables as well as social constructivist literature, arguing that decision makers use certain frameworks to understand the world. The fact that uncertainty is at the core of monetary policymaking renders shared beliefs crucial. Ideas therefore matter because macroeconomic uncertainty never ceases, and it will never be clear how a policy will impact the macroeconomy or what policy is “correct”. While deciding on which policy course to follow, ideas prompt government actors’ technical analysis of the macroeconomy, and they develop policies based on the “means-end knowledge” ascertained from this analysis.⁴² Ideas therefore act as “flashlights, guiding policymakers by illuminating a specific path through the darkness of crisis and confusion, and providing policymakers with strategies for governance.”⁴³ McNamara further argues that the

³⁹ Haas, P. M. (1992). “Epistemic communities and international policy coordination”. *International Organization*, 46(1), 1-35, 2.

⁴⁰ McNamara, K. R. (1998). *The Currency of Ideas: Monetary Politics in the European Union*. Ithaca, NY: Cornell University Press, 5.

⁴¹ Ibid., 5-6.

⁴² Ibid., 58.

⁴³ Ibid.

same factors contributed to the rise and fall of the Bretton Woods regime as to the construction of the European Union's regimes: the impact of ideas on the economy. At Bretton Woods, by limiting capital mobility, governments were able to make space for monetary autonomy as well as exchange rates. All in all, economic ideas and government officials' experiences of difference policies between the wars contributed to the Bretton Woods outcome, as well as Keynesianism, since it presented an alternative policy model.

McNamara separately re-examines the argument she makes in *The Currency of Ideas* (1998), probing the role of ideas in the economic governance of the European Union in the time of the euro. To recap, in her book, McNamara argues that exchange rate co-operation anticipated the euro, and it was made possible by an agreement on ideas. Rather than material conditions, neoliberal ideas turned European policymakers in favor of a monetary union. Her later article generalizes this point by suggesting that political actors exist in certain "cultural and ideational setting[s]", and they approach, analyze, and interpret economic challenges in a manner dependent on their setting.⁴⁴ Shared beliefs created by interactions with others will alter policymakers' reactions to monetary issues and macroeconomics. Interests are therefore "not given or exogenous," but rather "our interpretations of the external world... are fundamental to political life."⁴⁵ Actors use ideas to decide what to do. To understand decisions, we should trace the ideas behind them.

In *US International Monetary Policy: Markets, Power, and Ideas as Sources of Change* (1982), John S. Odell investigates how market conditions, power structures, and monetary ideas come together to affect policy outcomes. The cases that he looks at confirm what Keynes once declared: "the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas".⁴⁶ Odell explains US policy decisions previously considered "anomalous" using this ideas framework.⁴⁷ Elsewhere, he argues that power structures cannot explain states' actions or the effects of certain policies.⁴⁸ Ideas matter in the context of power.

Rawi Abdelal, Mark Blyth, and Craig Parsons write that most scholars of IPE "see the environment in which firms and governments operate as predominantly material."⁴⁹ Political economy as a discipline is materialist and rationalist. IPE scholars argue that the material structures of the economy provide incentives for policymakers and hence dictate what actions firms and governments take. However, policy-making outcomes cannot simply be explained through material variables. Often, nonmaterial influences cause people who are "similar" to make different decisions. As such, it is ideas that truly matter. Abdelal, Blyth, and Parsons hence argue that the circulation of ideas through different environments and global uncertainty are too significant for material structures to be the only thing meaningfully shaping the world.

In "Shrinking the state: Neoliberal economists and social spending in Latin America", Jeffrey Chwieroth uses case studies of Latin American countries to look at how neoliberal ideas

⁴⁴ McNamara, K. R. (2006). "Economic Governance, Ideas and EMU: What Currency Does Policy Consensus Have Today?" *Journal of Common Market Studies*, 44(4), 803-21, 807-808.

⁴⁵ *Ibid.*, 819-820.

⁴⁶ Odell, J. S. (1982). *US International Monetary Policy: Markets, Power, and Ideas as Sources of Change*. Princeton, NJ: Princeton University Press, 12-13.

⁴⁷ *Ibid.*, 363.

⁴⁸ Odell, J. S. (1988). "From London to Bretton Woods: Sources of change in bargaining strategies and outcomes". *Journal of Public Policy*, 8(3-4), 287-315, 295.

⁴⁹ Abdelal, Blyth, & Parsons. (2010). "Introduction", 3.

have gained influence.⁵⁰ He argues that many Latin American economic policymakers were trained in the Chicago school of economics, and this influenced significant spending cuts across the region in the 20th century. He shows that welfare state shrinking was due to reasons beyond mere market or interest group pressures. Coherence of ideas among policymakers, leading to consistent advice, made it easier for neoliberal thinkers to put policies into action.

In *Capital Ideas: The IMF and the Rise of Financial Liberalization* (2010), Chwioroth traces the inner workings of the IMF and internal debates among its staff to understand how the idea of capital controls came to be seen as economic heresy in 1980s and 1990s. He asks why and through what internal mechanisms the IMF embraced capital account liberalization. He argues that the IMF's stance was not monolithic, and that staff debated about how to reach their goal of capital freedom. Some believed in a gradual opening up, while others supported a big-bang approach. In turn, the IMF staff's ideas were shaped by five processes: "professionalization [through neoliberal economics education and PhD training], administrative recruitment, adaptation, learning, and entrepreneurship".⁵¹ Generalizing to international organizations, the book shows that staff in such organizations influence change as their beliefs and debates evolve.

Money Doctors: The Experience of International Financial Advising 1850-2000 (2003), edited by Marc Flandreau, traces the historical development of how advice by experts – working as independent individuals or at multilateral institutions – became more or less influential at crucial turning points. It outlines the way politics and economics work hand in hand in money doctoring. It suggests that, while economic factors delimit actors' opportunities and policies amid financial turmoil, political factors produce incentives.⁵² Money doctors must be able to navigate such political factors.⁵³ Ideas matter throughout. The book, focusing on individuals, showcases important instances of how ideas effected changes or failed.

In *Bankers, Bureaucrats, and Central Bank Politics: The Myth of Neutrality* (2013), Christopher Adolph looks at the personal beliefs, preferences, and interests of central bankers themselves to understand monetary policy decision-making dynamics. The book argues that "patrons, or 'shadow principals' in the financial sector and partisan governments, shape the beliefs and career incentives of bureaucratic agents otherwise legally insulated from outside pressure."⁵⁴ Careers of central bankers matter. Two key factors cause some bankers to want strict policies and others to want the opposite: experiences of the past and concerns about the future. Central bankers' past careers influence their future interest rate preferences. Regarding inflation, for example, while a former private banker might be more conservative and hawkish and hence prefer higher rates of interest, an agent with a bureaucratic public sector background might be more likely to support a low interest rate. This is because of socialization effects as well as the possibility for central bankers to return to their previous careers after service at the central bank. All in all, "in a side-by-side comparison, career factors appear at least as important as central bank independence."⁵⁵

⁵⁰ Chwioroth, J. (2010). "Shrinking the state: Neoliberal economists and social spending in Latin America". In Abdelal, Blyth, & Parsons (Eds.), *Constructing the International Economy*, 23-46.

⁵¹ Chwioroth, J. (2010). *Capital Ideas: The IMF and the Rise of Financial Liberalization*. Princeton, NJ: Princeton University Press, 11.

⁵² Flandreau, M. (2003). "Introduction: Money and Doctors". In M. Flandreau (Ed.), *Money Doctors: The Experience of International Financial Advising 1850-2000*. London: Routledge, 19-30, 24.

⁵³ Schuker, S. A. (2003). "Money Doctors Between the Wars: The Competition Between Central Banks, Private Financial Advisers, and Multilateral Agencies, 1919-39". In M. Flandreau (Ed.), *Money Doctors*, 49-77, 69.

⁵⁴ Adolph, *Bankers, Bureaucrats, and Central Bank Politics*, 1.

⁵⁵ *Ibid.*, 305.

In *Great Transformations* (2002), Blyth examines the influence of economic ideas on institutional orders.⁵⁶ He aims to view ideas and interests as common factors in institutional change rather than see interests as the only explanation. He hence argues that agents gain their views of interrelations and economy and polity, and their visions for how to construct such things, from economic ideas. Whatever the material and structural circumstances, ideas have an endogenous influence because “structures do not come with an instruction sheet.”⁵⁷ How a new order takes shape is not explained solely by the exogenous structure itself. In fact, while external factors can destabilize an institution, stabilization is “an *endogenous* process”, according to Blyth.⁵⁸ Ideas are the creative force behind what form a system can take, diagnosing problems and presenting solutions, therefore acting as blueprints for institution building. How the new institutional form gets designed and built depends on endogenous factors: available ideas and thinkers’ imaginations. At critical junctures, ideas reduce uncertainty, define the problem, and offer solutions. Blyth provides five hypotheses for institutional change: “ideas reduce uncertainty, act as [collective action and] coalition-building resources, empower agents to contest existing institutions, act as resources in the construction of new institutions, and finally coordinate agents’ expectations, thereby reproducing institutional stability.”⁵⁹ When an economic crisis strikes, ideas are the most important thing. Institutional transformations have to make sense of ideas and cannot be solely explained by structural and interest-based constraints. Structures play a role but do not create policies in themselves. Ideas are therefore not just an afterthought to materialist explanations. Blyth advances that, while we should not overlook “power, money, and self-interest” when examining ideas, material and structural factors do not directly create specific outcomes the way ideas do.⁶⁰ Ideas carry weight as causal and endogenous factors on their own. At the end of the day, instruction sheets are formed by ideas.⁶¹

Overall, economic decisions are – under formal theory – often solely interpreted by a set of material variables. Formal theory refers to “endowments, preferences, and technology.”⁶² Yet beliefs, attitudes, and economic theories matter. In a circular fashion, “the way the economy actually does work can depend on the way agents believe the economy to work.”⁶³ Ideational variables do matter, and at times they become most crucial. Yet White’s ideas were not operating in a vacuum. They had to interact with interests and institutions.

Domestic Interests

In this section, out of the three I’s – ideas, domestic interests, and domestic institutions – I survey some works that focus on domestic interest groups and how they affect domestic and international policy outcomes. A domestic interest groups approach suggests that governments

⁵⁶ Blyth, M. (2002). *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century*. Cambridge: Cambridge University Press, viii.

⁵⁷ Ibid., 7.

⁵⁸ Ibid., 8.

⁵⁹ Ibid., 15.

⁶⁰ Ibid.

⁶¹ Blyth elsewhere echoes the arguments made in his book and asserts that the IPE as a field should move beyond rational choice theory and make space for explanations based on ideational variables-focused stories. Regardless of structures, there is room for agents to steer the course of history. See: Blyth, M. (2003). “Structures Do Not Come With an Instruction Sheet: Interests, Ideas, and Progress in Political Science”. *Perspectives on Politics*, 1(4), 695-706.

⁶² Hahn, F., & Solow, R. (1995). *A Critical Essay on Macroeconomic Theory*. Oxford: Blackwell Publishers, 150.

⁶³ Ibid.

reach policy decisions as a result of domestic lobbying groups. In the case of Bretton Woods, one major constituency was the interests of bankers.

In *Commerce and Coalitions* (1989), Ronald Rogowski tests the Stolper-Samuelson trade theorem using historical cases. He considers land, labor, and capital as factor endowments to show why certain domestic political cleavages form and dissolve. While a country with little land but a lot of capital and labor can experience conflict between urban workers and industrials and rural landowners and agricultural workers, an economy with the opposite qualities can have experience class conflict between workers and the ruling classes. Trade expansion and contraction affect domestic political alignments in turn.

Jeffrey A. Frieden has surveyed the role of sectoral interests in multiple works. He proposes a framework with which to analyze how increased international capital mobility has distributional implications, making certain domestic, socioeconomic groups want financial integration.⁶⁴ With higher capital mobility levels, there are different factions emerging not only within tradable goods versus nontradable goods producers but also among international versus domestic investors. Winning cleavages influence national macroeconomic and exchange rate policies to take shape according to its own interests.

Elsewhere, Frieden analyzes the impact of currency regimes to identify factors that affect the political conflicts over domestic currencies.⁶⁵ Different economic agents differ on how to compromise between exchange rate stability and national monetary autonomy. Some groups prefer fixed versus floating or appreciated versus depreciated exchange rates. The greater the financial and trade integration with the rest of the world, the more the exchange rate is politicized within domestic politics. Under an open economy, economic agents disagree more vigorously on exchange rate levels and how much they should be fixed. While “internationally oriented economic groups prefer fixed exchange rates, domestically based groups prefer floating rates.”⁶⁶ Furthermore, producers of tradable and non-tradable goods and services want depreciated and strong, appreciated currencies, respectively. This phenomenon played out in the era of the US gold standard from 1870-1935. While traders, bankers and exporters who preferred stability over gains from weak currency wanted the gold standard and did not want devaluation, farmers and manufacturers wanted the opposite because they worried about their domestic product prices lowering.

Exploring this interplay between economic policymakers and domestic groups, Robert Putnam has built a framework regarding the relationship between diplomacy and domestic politics.⁶⁷ He conceives of negotiations as a “two-level game.”⁶⁸ While politicians attempt to gain power by appeasing domestic groups lobbying for certain policies, governments on the international stage must work to make these domestic desires possible while also protecting themselves from developments overseas. Both games matter just as much for a sovereign state that is also dependent on relationships with other states. Any international agreement has to be in line with domestic politics so that governments can both remain in power and maintain international order. Putnam also views the role of the chief negotiator as crucial. While the chief negotiator is

⁶⁴ Frieden, J. A. (1991). “Invested interests: The politics of national economic policies in a world of global finance”. *International Organization*, 45(4), 425-51, 426.

⁶⁵ Frieden, J. A. (1994). “Exchange rate politics: Contemporary Lessons from American history”. *Review of International Political Economy*, 1(1), 81-103, 81.

⁶⁶ *Ibid.*, 81.

⁶⁷ Putnam, R. D. (1988). “Diplomacy and domestic politics: The logic of two-level games”. *International Organization*, 42(3), 427-60, 427.

⁶⁸ *Ibid.*, 434.

“the only formal link between” these two levels, they might also hold their own views and might want to impose their own agenda, as principal-agent theory suggests.⁶⁹ The chief negotiator’s motive may be to promote a domestic interest through international means. One crucial point for the purposes of my research is that White not only penned the US stance but crucially held veto power on behalf of the United States. He had room to exert agency.

It is important to note that people in 1940s did not universally accept embedded liberal ideas. In a nutshell, “industrialists, labor groups, and Keynesian-minded state officials” supported embedded liberalists, but private and central bankers did not.⁷⁰ This created a division, meaning that the debates at Bretton Woods were not merely between nations but between embedded liberals (such as Keynes and White) and bankers. New York financiers, in particular, did not like the fact that the Treasury now held more monetary authority in the United States than the Federal Reserve Bank of New York. Bankers wanted to control international finance and therefore opposed the IMF and other such institutions. As such, they proposed a US loan to Britain to stabilize the dollar–pound exchange rate instead of global monetary cooperation.

Further, “fixed exchanges and sound money, [bankers] would have said, were necessary to economic progress.”⁷¹ For bankers, the gold standard was the answer. For instance, the chairman of Chase National Bank publicly refuted both the Keynes Plan and the White Plan in April 1943, claiming that neither were likely to be approved. As an alternative, he promoted “a dollar-based gold standard along with further reductions in trade barriers.”⁷² His ideas were supported by influential bankers, such as John H. Williams and Benjamin Anderson, who held large sway in Congress. The pro-gold standard stance would be echoed in *The New York Times* and *The New York Herald-Tribune*, both of which wanted to oppose credit expansion. Further, *The New York Times* wanted the United States to make “moderate gold loans” in return for reforms instead of an international fund to which it would have to contribute; the reform suggestions included “the abolition of exchange controls and quantitative export restrictions.”⁷³

Bankers also saw the Fund’s liquidity provisions as a violation of “sound business principles”.⁷⁴ They argued that this was because “we should be handing over to an international body the power to determine the destination, time, and use of our money” rather than having autonomy over loan conditions.⁷⁵ As such, they argued that the Fund would mean the United States losing its “economic bargaining power” with nothing in return.⁷⁶

Bankers also criticized the way that the Fund’s adjustment mechanism would give debtor countries the impression that they had a right to credit due to its quota system. They argued that “such a system would encourage the impression that credits received may not have to be liquidated, and would invite abuses of the facilities.”⁷⁷ All in all, critics argued that the Fund placed too much of a burden on debtor nations. In the context of the Bretton Woods agreements’ ratification in Congress, banking interests would be crucial, with interests and institutions intertwined.

⁶⁹ Ibid., 456.

⁷⁰ Helleiner, E. (1996). *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s*. Ithaca, NY: Cornell University Press, 49-50.

⁷¹ Skidelsky, R. (2003). *John Maynard Keynes, 1883-1946: Economist, Philosopher, Statesman*. London: Penguin Books, 346.

⁷² Boughton, Harry White and the American Creed, 184-185.

⁷³ Gardner, R. (1956). *Sterling-Dollar Diplomacy*. Oxford: Oxford University Press, 131.

⁷⁴ Ibid., 130.

⁷⁵ Ibid.

⁷⁶ Ibid.

⁷⁷ Ibid., 98.

Domestic Institutions

In this section, out of the three I's, I survey some works that focus on domestic institutions and how they affect domestic and international policy outcomes. In the Bretton Woods context, I consider the Treasury, State Department, and Congress as institutional players.

In *From Conflict to Coalition: Profit-sharing Institutions and the Political Economy of Trade* (2016), Adam Dean argues that “profit-sharing institutions” became a significant factor in labor’s trade policy preferences.⁷⁸ Profit-sharing institutions increase wages alongside increased profits, and when that occurs, labor and capital interests can agree on the same trade policies. In Dean’s definition, these profit-sharing institutions are more comprehensive than labor unions only, since they include “formal union recognition, explicit agreements that wages will rise along with profits, and industry-wide wage contracts.”⁷⁹ Dean gives the example of late 19th-century steel workers in the United States, whose new union cemented a link between wages and increased profits. He tests his theory using the United States, the United Kingdom, and Argentina as case studies. Dean shows that the shaping of domestic institutions has a direct effect on how domestic interest groups align over international trade policy.

David Lake explains and critiques the open economy politics (OEP) approach, which brings together interests and institutions. He writes that the OEP causal chain moves from smaller issues to larger, suggesting that politics develops “from individuals to interstate bargaining.”⁸⁰ OEP analysis considers how interests are developed from individuals’ positions in the global economy. Interests are a crucial factor for OEP. Going from micro to macro, interests then form around political institutions and dictate how opposed groups negotiate. In this sense, domestic institutions exercise an important role by mediating the negotiations between groups with different societal interests. They define rules and procedures for discourse. For the domestic political economy, they “define what political power means in a particular society” because they define how groups compete over policies.⁸¹ They therefore determine which group can ultimately hold the most sway, whether it be the group with the most capital or with the most popular ideas. OEP combines analysis of domestic interests with analysis of domestic institutions. It considers the importance of domestic institutions, recognizing that these institutions are the filter through which interests turn into policy. Though my research will not utilize the methods of OEP, it has a similar outlook in that it starts with individuals to understand how the Bretton Woods system came to be focused on gold. I start my inquiry by looking at how White’s ideas on gold interacted with those of Keynes. I then revert to the negotiations themselves at the Atlantic City Conference and at the Bretton Woods.

Beth Simmons looks at why some countries decided to internalize the burden of the gold standard in the interwar years while others decided to externalize it. She lays out three conditions: that countries wanted to prioritize the global economy over the domestic by focusing on economic balance and exchange rate stability; that these countries eschewed economic controls in favor of liberal policies; and finally, that they wanted international financing to solve monetary crises. While some states would accept internal deflation, hence playing the gold standard game by its

⁷⁸ Dean, A. (2016). *From Conflict to Coalition: Profit-sharing Institutions and the Political Economy of Trade*. Cambridge: Cambridge University Press, 2.

⁷⁹ Ibid., 3.

⁸⁰ Lake, D. A. (2009). “Open economy politics: A Critical Review”. *The Review of International Organizations*, 4(3), 219-244, 225.

⁸¹ Ibid., 227.

rules, others would devalue their currencies. Simmons argues that adjustment strategy was influenced by domestic politics and domestic institutions. As the working classes gained greater influence, adjustment could no longer be primarily achieved via internal deflation — the lowering of wages. The gold standard before and during the interwar years showcased that “any fixed system of exchange rates requires an extraordinary degree of credibility if parities are to be maintained.”⁸² One major difference between the two eras — pre- and post-WWI — was that governments increasingly stopped skewing their policies toward external balance and fixed exchange rates. As labor and domestic welfare-based policies gained dominance, it was no longer certain that internal adjustment would be preferred.

In his edited volume *The Political Power of Economic Ideas: Keynesianism across Nations* (1989), Peter A. Hall traces how Keynesian ideas spread internationally and gained influence. He asks why some nations, at different times, incorporated Keynesian ideas and others did not. Hall contends that Keynesian ideas gained or lost appeal due to domestic, institutional activities. He argues that “ideas are not powerful in themselves but that they are made powerful by an existing constellation of interests and institutions.”⁸³ Keynesianism was interpreted differently in different nations under different contexts via economist-centered, state-centered, and coalition-centered approaches. Ideas are not just superstructural, exogenous variables. Rather, ideas help people to plan their way out of crises, and theories and policies grow out of these ideas. Whether Keynesian ideas were to be implemented, in turn, was determined by their economic, administrative, and political viability. Hall states that “orientation of the governing party, the structure of the state and state-society relations, the nature of national political discourse, and the events associated with World War II” impacted the influence of Keynesian ideas.⁸⁴ Material circumstances and ideas came together to affect change. Hall’s conclusion is that ideas only gain traction due to their interactions with institutions and interests. Institutional context is a critical determinant for an idea’s materialization.

Hall elsewhere attributes Britain’s shift to monetarist policies to global economic change and social and political conflict.⁸⁵ He therefore argues that institutions make change only within the context of interests and ideas. Institutions provide “routines linked to processes of socialization... [contributing] to the very terms in which the interests of critical political actors are constructed.”⁸⁶ They affect how economic information reaches people, and hence how ideas are conveyed. Decision makers are influenced by policy paradigms — ideas that influence their outlook and actions. Keynesianism versus monetarism are such policy paradigms with different explanations for how the economic machine operates and what is to be done when recessions, high unemployment, or high inflation occur. In case of the British shift in the 1970s, interests and ideas played a key role, but policies followed a trajectory set by institutions. For example, the state of markets, media, and “electoral arena” put pressure on or created appeal for certain policies and

⁸² Simmons, B. A. (1994). *Who Adjusts? Domestic Sources of Foreign Economic Policy during the Interwar Years*. Princeton, NJ: Princeton University Press, 31.

⁸³ Goldstein, *Ideas, Interests, and American Trade Policy*, XX.

⁸⁴ Hall, P. A. (1989). “Conclusion: The politics of Keynesian ideas”. In P. A. Hall (Ed.), *The Political Power of Economic Ideas: Keynesianism across Nations*. Princeton, NJ: Princeton University Press, 361-392, 363.

⁸⁵ Hall, P. A. (1992). “The Movement from Keynesianism to Monetarism: Institutional Analysis and British Economic Policy in the 1970s”. In Steinmo, S., Thelen, K., & Longstreth, F. (Eds.) *Structuring Politics: Historical Institutionalism in Comparative Analysis*. Cambridge: Cambridge University Press, 90-113, 91.

⁸⁶ Ibid.

ideas.⁸⁷ Acting as “critical mediating variables,” institutions don’t drive action the way interests and ideas do, but they impact their longevity.⁸⁸

In the context of Bretton Woods, Congress, the Treasury, and the State Department were the crucial actors as institutions. As the Secretary of the Treasury, Morgenthau’s defined his own objective as follows: “to move the financial center of the world from London and Wall Street to the United States Treasury, and to create a new concept between nations in international finance”.⁸⁹ As such, he created institutions that served governments and not private financiers to prevent extortionate money lending practices. In Morgenthau’s view, these financiers had created political conflict and financial chaos due to their self-serving interests. He turned to White to enact his vision, and White rapidly rose through the ranks of the Treasury. In December 1941, Morgenthau gave White full responsibility over envisioning how international financial policy would look after the war. White’s ideas found support among his team in the Treasury, particularly from Ed Bernstein, who became White’s key partner. In sum, their aim was to shape global developments in line with the New Deal, rather than restore power to private financiers.

There was rivalry between the Treasury and the State Department as to which department would be leading postwar monetary diplomacy. Fundamentally, while White in the Treasury took a monetary stance, the State Department largely believed that trade relations were the key issue which no monetary policy could solve. Secretary Cordell Hull, then leader of the State Department, wanted to prioritize free trade and free capital movements.

Along with Hull, Leo Pasvolsky and Herbert Feis represented the State Department. Pasvolsky, then Hull’s assistant, was a vocal opponent of White’s plans to implement new institutions. He himself had already been working to replace the League of Nations with a new institution, so in 1942 he began his own postwar economic planning. Pasvolsky therefore felt threatened by the Treasury’s separate plans, and ultimately, his scheme did die. Before that, though, he hired Eleanor Lansing Dulles to work with him on his proposals. She had been working on replacing the Bank for International Settlements and was similarly frustrated by White’s plans, which she repeatedly challenged during her tenure at the State Department. Ultimately, Morgenthau told Lauchlin Currie, a White House economist, that the State Department wanted to kill he and White’s plans because they wanted to undermine all external ideas.

To White’s benefit, Morgenthau was better acquainted with Franklin Roosevelt than Hull was. This impeded the State Department’s control of planning international economic policy.⁹⁰ In the end, both Morgenthau and Roosevelt supported White to present his plan to Britain, China, and Russia, the other allied powers. The Treasury would carry the torch.

For Bretton Woods, the Treasury was conscious that Congress held a key role. White was certainly aware of the legislative path after the Treaty of Versailles. The paradox was that, though the US president had pushed for the League of Nations while negotiating this treaty, the United States had never become a member. It failed despite the fact that many US groups advocated for the League of Nations. Woodrow Wilson’s decisions had a large part to play. He “included the Covenant of the League with the legislation for the Treaty of Versailles, resisted any alterations to it, could not work with the opposition to it, and never resolved the Constitutional questions

⁸⁷ Ibid., 109.

⁸⁸ Ibid.

⁸⁹ Quoted in Gardner, *Sterling-Dollar Diplomacy*, 76.

⁹⁰ Ibid., 72.

connected to the role of Congress in the conduct of US foreign policy.”⁹¹ With the treaty and the League bundled together, as the Senate failed to endorse the treaty, the United States never joined the League of Nations. This very episode heavily influenced those who later advocated for the Bretton Woods Agreement Act in Congress. In fact, Morgenthau told Keynes that they were specifically trying to avoid Wilson’s mistakes.

With Congressional support in mind, the Treasury ensured that White’s plan saw some support even before it was published. As such, they distributed it among US business associations and garnered support. These included “the Chamber of Commerce, National Association of Manufacturers (NAM), National Foreign Trade Council (NFTC), and American Bankers Association (ABA)”.⁹² And as a result, these organizations planned a conference in 1944 where they agreed to back policies that pursued free trade and currency-stabilization.

With Congressional support in mind, White and his Treasury team opposed the Keynes Plan head on regarding the “the overdraft facilities of at least \$26 billions, in which the potential American liability might be as much as \$23 billions”, arguing that Congress would never approve.⁹³ This significant element of Keynes’s plan was therefore dropped. In a diplomatic move, the Americans instead enlarged the financial contributions proposed in White’s plan; at Bretton Woods, it was eventually agreed that the Fund would have \$8.8 billion worth of resources, \$3.175 billion of which the United States would contribute.

With congressional support in mind, White launched a “public relations campaign” to anticipate and rebut domestic criticism.⁹⁴ For instance, after he presented a paper to the American Economic Association in January 1943, they published it in the *American Economic Review*. Later that year, he spoke to the Council on Foreign Relations, and later still to Chicago bankers just to provide a counterstatement to the British speaker, Dennis Robertson. At the end of the year, he spoke at Harvard University, his alma mater, and in early 1944, he spoke to labour union leaders, all while holding regular press conferences for journalists. White also got his colleagues from the Treasury, such as Bernstein, to support him on this campaign. As such, Bernstein spoke to bankers and business leaders in major financial centers, and he met with the highly influential journalist, Walter Lippmann, from the *New York Herald Tribune*. As a result, in the run up to the Bretton Woods conference, newspapers and magazines were frequently reporting on the White Plan and the Joint Statement.

With congressional support in mind, the US delegation for the conference included four members of Congress. Morgenthau chose a Republican and Democrat senator and a Republican and Democrat from the House of Representatives. The Democrat representatives were New York Senator Robert Wagner, who supported the New Deal, and Kentucky Congressman Brent Spence, who supported liberal economics and foreign policy. On the other side was New Hampshire Senator Charles Tobey, a controversial isolationist who saw joining the fund as “pouring money down a sewer”, and Michigan Congressman Jesse Wolcott, a previous public prosecutor.⁹⁵ The inclusion of these members of Congress meant that US interstate conflicts were apparent throughout the conference. At congressional debates, speakers often referenced the fact that these

⁹¹ Lavelle, K. C. (2011). *Legislating International Organization: The US Congress, the IMF, and the World Bank*. Oxford: Oxford University Press, 39-40.

⁹² Ibid., 48.

⁹³ Gardner, *Sterling-Dollar Diplomacy*, 112.

⁹⁴ Boughton, *Harry White and the American Creed*, 185.

⁹⁵ Steil, B. *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order*. Princeton: Princeton University Press, 206.

members were attending the conference and pushed for the same “spirit” regarding US economic policies.⁹⁶

With Congressional support in mind, Morgenthau also made sure that a broad cross section of the US government was represented at the conference. He therefore included “an equal number of technical advisers from the Treasury, Federal Reserve, State Department, Foreign Economic Administration, Securities and Exchange Commission, and Department of Commerce, as well as four legal advisers, seven technical secretaries, four assistants to the chairman, and one delegation secretary-general.”⁹⁷ Further, he brought press relations, public relations, and informational officials to write propaganda for use at home and abroad. He even hired a public relations expert, Randolph Feltus, to help when they brought the Bretton Woods Agreement Act to Congress.”⁹⁸ Morgenthau constantly had publicity in mind.

Yet further, at the conference, White and Morgenthau were aware of the need to take the press into confidence to gain congressional support in the long run. “The best plan in the world is no good if you can’t get Congress to accept it,” White would say.⁹⁹ They therefore wrote papers to confront opposition and gain public support. In that vein, they sent the full text of their plan to the press on day one and pledged to keep the press fully informed throughout the conference. To them, this appeared the best way to curb criticism and grow favorable public sentiment. White therefore held press meetings every day.

Regarding the fund’s location, at the conference, Morgenthau would tell Keynes that “the American delegation was emphatic that Congress would not accept the Fund unless it were located in the United States.”¹⁰⁰ This, he knew, would be key to congressional support.

After the conference, knowing that it would help with their fight ahead, Morgenthau requested that Roosevelt promote White to assistant secretary of the Treasury. He argued that White needed the “prestige” during the negotiations when up against esteemed individuals such as Lord Keynes.¹⁰¹ The president confirmed White’s appointment.

Post-conference outreach was also a Treasury-wide effort. While White was in charge of garnering support for the agreements, Bernstein was given technical tasks and writing assignments, and Ansel F. Luxford and Fred Smith, both assistants to the secretary, were also drafted to give legal and public relations support, respectively. They all “worked with sympathetic members of the same business associations, academics, and members of the media as before.”¹⁰² Their strategy was to approach their opponents systematically. As such, Bernstein and Luxford brought the Treasury’s ideas to NFTC representatives and consulted them on how exporters and importers would react to the proposals. At the meetings, they reached an agreement that Treasury members would attend a convention hosted by the NFTC Committee on Monetary Policy and Exchange Stabilization, mostly made up of bankers, to discuss their proposals. Their goal was to get the bankers on the Treasury’s side as much as possible, at least to break the stronghold of bankers’ opposition.

As outlined in the Domestic Interests section, the main objection to the Bretton Woods proposals came from American bankers, led by the ABA. They particularly opposed items that would interrupt their international operations, and they disliked the fact that there was one

⁹⁶ Lavelle, *Legislating International Organization*, 50.

⁹⁷ Steil, *The Battle of Bretton Woods*, 207.

⁹⁸ Lavelle, *Legislating International Organization*, 49.

⁹⁹ Van Dormael, A. (1978). *Bretton Woods: Birth of a Monetary System*. London: Macmillan, 183.

¹⁰⁰ Ibid., 208.

¹⁰¹ Steil, *The Battle of Bretton Woods*, 253.

¹⁰² Lavelle, *Legislating International Organization*, 50.

legislative proposal for the IMF and World Bank bundled together. More specifically, they wanted a national agency to have lending authority, not an international agency. They argued that the United States providing the largest share of the IMF and World Bank's resources yet having few comparative votes amounted to giving money to an external power while giving up say over its use. Further, they also foresaw inflation, delayed economic adjustments, and threats to US interests. Therefore, while the bankers wanted to preserve past practices to make money on foreign-exchange trading fees, business representatives saw the possible trade benefits of exchange market stability.

To ensure the passage of the Bretton Woods proposals through chambers, the Treasury leveraged support and met with opposition, the largest group being some members of the ABA. President Roosevelt even waited until after the 1944 presidential election to introduce the Bretton Woods results, despite supporting the Bank and Fund in his annual budgetary message, to take the support of Republican internationalists away from Republican isolationists. Strategically, in his testimony, Morgenthau thanked Bretton Woods's Republican and Democrat Congress representatives alike for their help. He stated: "you gentlemen kept reminding us of what was practical from the point of view of Congress, what we could or could not pass".¹⁰³ In this sense, he was speaking to Bretton Woods opponents in Congress, such as Senator Robert Taft and Representative Frederick Smith, who thought that the plan was an extension of Keynesian ideas. For Taft, the Fund would mean "pouring money down a rat hole".¹⁰⁴ All in all, the conflict in Congress revolved around either giving civil servants power over monetary matters and exchange rates or giving this power to private bankers.

During congressional hearings, the Treasury continued to leverage support among business leaders and politicians. For one, in February 1944, they held a private question-and-answer session for representatives of national groups to discuss the implications of the agreement. Later in February, a women's action committee that had attended a conference in the Commerce Department voted in favor of the program and wrote to Congress urging them to adopt it. Further, Treasury staff wrote speeches to advocate for the proposals in front of Wagner and Spence, wrote responses to opposition rhetoric, and copied and distributed materials being used in House hearings for those debating on the floor. Later, when Morgenthau felt a lull in public discussion on Bretton Woods, he lunched with some columnists and radio commentators. White's own collaboration with domestic groups was so high that some claimed that he had authored positive report on Bretton Woods, such as that of the Independent Bankers Association.

Overall, these activities aimed to assure Congress that the Fund was in US national interests. Such assurances were also baked into the bill. For one, it marked a move away from the original idea: an externally-managed Fund and Bank made up of impartial financial experts. Further, it proposed a National Advisory Council on International Monetary and Financial Problems, which was to include the Secretary of the Treasury and interested heads of departments. The American Executive Directors were to answer to this council and seek their approval on several matters. They would also need approval before waiving Fund lending conditions or declaring the dollar "a scarce currency."¹⁰⁵

Overall, the process of passing the Bretton Woods agreements was a complete reversal of the Treaty of Versailles episode regarding the League of Nations. The Treasury had learned their lesson, having experienced the Treaty of Versailles not being ratified in Congress. As such, at every

¹⁰³ Ibid., 55.

¹⁰⁴ Gardner, *Sterling-Dollar Diplomacy*, 130.

¹⁰⁵ Ibid., 134.

step, White and his team were mindful of Congress's views and instantly and directly addressed their opponents. The Treasury made their strategy for congressional approval an integral part of their economic plan by keeping different domestic stakeholders, who might have become their rivals, informed. Hence, a massive post-conference education campaign took place to find support among the public and influence opinion in Congress. Additionally, the Treasury directly approached potentially opposed individuals such as Randolph Burgess. They also worked with the State Department, which had come to see Bretton Woods as a crucial part of their plans for peace organizations, and the State Department publicly conveyed that monetary agreements were essential to peace. When it came to conference participation, both the Treasury and the State Department invited members of Congress to Bretton Woods to approve recommendations. Congress therefore felt more included in Bretton Woods than they had in the negotiations for the League of Nations. All in all, Bretton Woods supporters confronted those opposed to multilateralism and pointed out the differences between bankers' values and US values to and in Congress.

In sum, the US Treasury aimed to lessen New York bankers' power in Congress by gaining a diverse group of supporters. Congress hence addressed and compromised with bankers from the beginning to the end of the bill passing. Supporters therefore eventually got the financial community to accede, and they ultimately formed a committee that would regularly report to Congress on their views of US participation in the IMF and World Bank.

Concluding Remarks

The interplay of ideas, domestic interests, and domestic institutions provides a more nuanced tool of analysis regarding purely systemic variables. As we seek to understand how the Bretton Woods order came to be, and more specifically how to explain the role of gold within the resulting Bretton Woods regime, I use the ideas, interests, and institutions theoretical framework. In 1944, the US had both unprecedented asymmetrical power *and* choices to design a monetary system in its image. This thesis will consider how White's economic ideas clashed with those of Keynes, and explore how, at the Atlantic City Conference and at the actual Bretton Woods conference, the role of gold was treated in the discourse – by the Anglo-Americans as well as other participating nations. Bretton Woods was a critical juncture for the post-WWII world. Focusing on White's ideas and tracing the role of gold at the 1944 conferences, a new account of Bretton Woods can emerge. This chapter sought to establish the importance of ideas at crucial instances in comparison to interests and institutions. The next chapter, carrying this framework to the context of Bretton Woods, considers why White was singularly important in the Treasury and starts surveying his ideas. White's ideas disrupt the narrative of the Gardner versus Ikenberry spectrum, in that his disagreements with Keynes were consequential for the Bretton Woods outcome. Furthermore, considered within the framework of the Helleiner versus Steil spectrum, White was the key individual. It was White who came up with the ideas. His ideas then found acceptance in the Treasury and were propagated across Congress with a sound strategy to affect a successful outcome.

Chapter III: Keynes, Early White, and White's 1934 *Selection of a Monetary Standard for the US*

White's two most significant writings on gold, written at the Treasury, were his 450-page report, *Selection of a Monetary Standard for the US*, and the White Plan. Another of his major writings on gold, written as an extracurricular activity unsolicited by Morgenthau or anyone else, was his *Future of Gold*. This chapter focuses on Keynes's ideas, as well as White's early writings – his PhD dissertation and work for Professor Frank William Taussig – to see how ideas evolved regarding the *Selection of a Monetary Standard for the US*. The next chapter looks at his *Future of Gold* and the role of gold within the White Plan. The argument for this and the next chapter on monetary theory can be summarized as follows:

1. It is wrong to assume that finding a role for gold in the international monetary system is *ipso facto* non-Keynesian. Both Keynes and White ascribed some role to gold. There were substantial points of agreement between Keynes and White. For instance, according to their writings pre-Bretton Woods, they both envisioned a system that maintained a role for gold. Keynes did not see a managed gold standard as a barrier to his fundamental ideas. Both Keynes and White wanted to see a more flexible gold standard; they were both just against the classical gold standard of the orthodox variety.
2. Keynes and White also agreed on other major Keynesian points such as the need for capital controls and the importance of domestic price stability. White argued for capital controls even in his PhD thesis.
3. Despite this, a more nuanced argument suggests that, at least judging by their Bretton Woods proposals, they envisioned different trajectories for gold. While Keynes wanted to decrease the role for gold in his Bretton Woods proposals by eventually replacing gold with bancor, White did not envision such a policy in his plan. In the Keynes Plan, Keynes would write that “the purpose of the Clearing Union is to supplant gold as a governing factor.”¹
4. White and Keynes also disagreed on other Keynesian points such as creditor versus debtor adjustment and international management of a reserve currency. Keynes argued that surplus countries have a greater responsibility to adjust, while White did not wish to impose such a duty on creditors. Keynes believed that there needed to be an internationally managed capacity to issue gold equivalents, where White did not. These points carry White further away from the Keynesian umbrella. Their disagreements were consequential for how the Bretton Woods regime was shaped.

To be clear, White was not a supporter of a classical gold standard. Instead, he espoused a gold exchange standard. Nonetheless, his trajectory was to envision a world not gradually doing away with gold but maintaining a link to it. His vision diverged from that of his contemporaries; the opinion of the scholarly community had moved onto less gold-centric approaches for some time already. White's insistence on debtor adjustment and skepticism of international management of the reserve currency in the *Selection of a Monetary Standard for the US*, as well as in the *Future of Gold*, is important, as it helps us to intervene in Ikenberry's narrative that both Keynes and White were operating in a fully Keynesian universe of ideas. If Bretton Woods was not just an

¹ Keynes, J. M. (1969 [1943]). “Keynes Plan: Proposals for an International Clearing Union.” In J. K. Horsefield (Ed.), *The International Monetary Fund 1945-1965: Twenty Years of International Monetary Cooperation* (Vol. 3). Washington, DC: International Monetary Fund, 19-36, 30.

ideational consensus (Ikenberry) or a power play (Gardner), and there was indeed a clash of ideas as well, then this changes our understanding of Bretton Woods and how monetary systems get designed. Challenging Ikenberry's narrative, this thesis posits that if White differed from Keynes, then the Bretton Woods outcome was not a fully Keynesian consensus. Further, challenging Gardner's narrative, it argues that if White differed from Keynes, then the Bretton Woods outcome was not dictated solely by power but also by ideas.

By the eve of Bretton Woods, scholarly opinion was already moving away from gold. In 1929, long before the conference, the Polish banker and future League of Nations official, Feliks Mlynarski, pointed out "the equivalent of the Triffin Dilemma."² Writing between 1937 and 1940 in his *World Economic Surveys* for the League, James Meade, who later on would partake in the Bretton Woods negotiations and also win the Nobel Prize in 1977, similarly referenced such problems. Over time, several economists suggested that the world should move away from the gold standard, and they even carried out some experiments regarding currency stabilization without gold in the 1930s. The League of Nations' 1944 report, *International Currency Experience: Lessons of the Inter-War Period*, presented a different monetary order separate from the gold standard. The study showed that a system that used gold reserves while governments tried to work out relative currency prices was unstable. Importantly, this meant that governments were no longer willing to risk domestic security, including employment levels, to maintain external payment balances, as occurred under the gold standard. Irving Fisher, the Yale economist, proposed pegging the dollar to a "basket of commodities" rather than only one, which could lead to further price instability".³ All in all, academics wished to see a world breaking its gold fetters.

Practical experience only complemented the theory. Countries on gold often debased their currencies, challenging the argument that the gold standard would discipline governments. As shown by experience, authorities sometimes jumped ship from the gold standard in a crisis. As such, the gold standard had actually created domestic insecurity and international discord. The gold standard as an anchor often did not really work in the real world — and theorists had already devised alternatives.

Keynes

Keynes was one of those scholars who came to see a world in which gold's dominance would be lessened. He was against the classical gold standard. Likewise, the intellectual roots of the Keynes Plan for Bretton Woods went back much farther. For instance, in his first published book, *Indian Currency and Finance* (1913), Keynes looked at India, which was then a British colony, with an eye to propose remedies for India's monetary system. For Keynes, India's monetary system was "a more scientific and economic system" which he dubbed the "gold-exchange standard."⁴ This system was based on paper currency, and it maintained an equivalence to gold using international credits in sterling, meaning that India had in fact "economised on the use of gold internally and internationally."⁵ Further, officials reduced their reliance on gold by maintaining a stable yet flexible exchange rate from sterling to Indian rupees, but not rupees to

² Eichengreen, B. (2019). "The Monetary Role of Gold as the Original Sin of Bretton Woods". In N. Lamoreaux & I. Shapiro (Eds.), *The Bretton Woods Agreements*. New Haven, CT: Yale University Press, 38-55, 41.

³ Boughton, J. M. (2021). *Harry White and the American Creed: How a Federal Bureaucrat Created the Modern Global Economy (and Failed to Get the Credit)*. New Haven, CT: Yale University Press, 47.

⁴ Skidelsky, R. (1983). *John Maynard Keynes: Hopes Betrayed 1883-1920* (Vol. 1). London: Macmillan, 272.

⁵ *Ibid.*, 275.

sterling. Keynes saw this as “the future of monetary management.”⁶ He would later on propose a similar scheme for gold in the Keynes Plan for Bretton Woods.

Later, at the Versailles Peace Conference in 1919, Keynes advocated for an international lending system for post-WWI reconstruction and development. However, what he called the “grand scheme for the rehabilitation of Europe” failed due to lack of US backing.⁷ In his 1919 *Economic Consequences of Peace*, which condemned the Treaty of Versailles, Keynes claimed that supposed peacemakers were attempting to make Germany pay an impossible indemnity. The experience at Versailles showed Keynes that winning WWII would not be sufficient to guarantee peace. From Keynes’s perspective, at Versailles, Woodrow Wilson simply failed at committee politics. As a result, Keynes would later strive to build a European coalition onboard the *Queen Mary* en route to the Atlantic City Conference.

Though for some people, the gold standard remained intact due to the belief that “a single gold price offers a bright line that is easier for the market to police,” many, as aforementioned, saw alternatives.⁸ Keynes surveyed the arguments in favor of the restoration of the gold standard in *A Tract on Monetary Reform* (1923). He observed that advocates argued both that gold created a stable value standard and that any new standard would only cause problems, since governments did not have the knowledge to create a strong new system. However, he noted that pre-war conditions were special and could not be expected to continue. The reasons were as follows. First, gold mine discovery had previously occurred in tandem with economic progress, but this was no longer the case, as the most recent significant discovery had occurred 25 years earlier. Further, the United States preserved the value of gold. It could not “let gold fall to its ‘natural’ value, because it could not face the resulting depreciation of its standard.”⁹ As such, gold had at that point an “artificial value” which depended on the Federal Reserve Board.¹⁰ Another argument that the advocates of gold embraced was that going back on the gold standard was “the only way of avoiding the dangers of a ‘managed’ currency.”¹¹ However, Keynes believed that this did not matter since gold’s value depended on central banks. Their policymaking would always be important, whether it was the classical gold standard or a managed gold standard.

“In truth, gold standard is already a barbarous relic,” Keynes wrote, implying that it no longer guaranteed economic stability.¹² The reality was that people wanted to preserve stable businesses, prices, and employment and did not want “to sacrifice these to the out-worn dogma, which had its value once, of £3 : 17 : 10½ per ounce.”¹³ Supporters of the classical gold standard did not recognize how outdated it was, in his opinion. In fact, he suggested that a managed and “regulated non-metallic standard” was already in existence.¹⁴ He also suggested that restoring the gold standard would only create domestic stability, not international stability, if other countries did not follow suit. He did, however, preserve some role for gold, acknowledging that, “as an ultimate safeguard and as a reserve for sudden requirements, no superior medium is yet available.”¹⁵

⁶ Goodman, L., & Schuler, K. (2019). *Bretton Woods: The Founders & the Future*. New York: Center for Financial Stability, 4.

⁷ Ibid.

⁸ Morrison, J. A. (2021). *England’s Cross of Gold*. Ithaca: Cornell University Press, 305.

⁹ Keynes, J. M. (1923). *A Tract on Monetary Reform*. London: Macmillan, 167.

¹⁰ Ibid.

¹¹ Ibid., 169.

¹² Ibid., 172.

¹³ Ibid., 172-173.

¹⁴ Ibid., 173.

¹⁵ Ibid., 176.

Nonetheless, he found it possible to maintain the gold standard's advantages without surrendering the whole economic system to its disadvantages. Keynes portrayed gold as a "barbarous relic," but also proposed a system that would not fully dismiss gold.

Keynes prioritized domestic concerns over exchange rates, and the gold standard was not compatible with this goal. In essence, *A Tract on Monetary Reform* proposed that monetary policy should stabilize price level, not exchange rate. Keynes wished to see the Treasury and the Bank of England "adopt the stability of sterling prices as their *primary* objective" and "exchange stability... as a secondary objective by co-operating with the Federal Reserve Board in a common policy."¹⁶ In his *Tract*, Keynes advocated for stable but adjustable exchange rates. Though he criticized deflation as well as inflation, he deemed deflation to be the greater evil because of its potential to exacerbate unemployment severely. Furthermore, he argued that traders are more immune to unstable exchange rates than producers are to domestic prices. Overall, Keynes argued for a monetary regime in which the exchange rate, not domestic prices, should be adjusted in accordance with the desirable level of employment. He viewed domestic price stability as more important than exchange rate stability.

Furthermore, Keynes wanted to preserve British interests; he was a statesman as much as he was an economist. Given the distribution of the world's gold reserves, reinstating the gold standard would have meant giving up Britain's sovereignty over its own domestic price levels and credit cycle and allowing the Federal Reserve to dominate British domestic economic policymaking. The Fed, "which had set up a dollar standard... on the pedestal of the Golden Calf," would have wrecked Britain's financial power.¹⁷ Keynes wanted Britain to be able to decide on its own exchange rate based on its domestic needs.

In line with preserving British interests, Keynes proposed that the world be split into managed sterling and dollar areas. His reasoning was that a "managed" currency was inevitable but that there was no single authority ready to manage it.¹⁸ Therefore, he proposed that both sterling and dollars should be managed with collaborative aims and methods. If this were to go ahead, other countries could use a gold exchange standard to base their own currency on either dollars or sterling. However, despite the eminence of Keynes's *Tract* and his fierce opposition to the gold standard, his ideas were unpopular.

As would later prove catastrophic for the United Kingdom, Winston Churchill, then Chancellor of the Exchequer, did decide to return sterling to the gold standard at pre-war parity. Keynes immediately attacked this decision in a pamphlet, *The Economic Consequences of Mr. Churchill* (1925). All in all, he argued that Churchill's decision meant putting sterling at the mercy of international gold supply and unrestricted capital movements and making it convertible to gold at a fixed rate. This meant that there would be a "10% reduction in British wage costs."¹⁹ Limitless unemployment was therefore the only way to make up this cost. To justify his reasoning, he wrote, "deflation does not reduce wages 'automatically',... it reduces them by causing unemployment."²⁰ Describing the gold standard as an "emblem and idol of those who sit in the top tier of the

¹⁶ Keynes, J. M. (2015 [1923]). "A Tract on Monetary Reform". In R. Skidelsky (Ed.), *John Maynard Keynes: The Essential Keynes*. London: Penguin Classics, 290-299, 293.

¹⁷ Steil, B. (2013). *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order*. Princeton, NJ: Princeton University Press, 76.

¹⁸ Keynes, "A Tract on Monetary Reform," 299.

¹⁹ Skidelsky, R. (2010). *Keynes: A Very Short Introduction*. Oxford: Oxford University Press, 29.

²⁰ Keynes, J. M. (1925). "The Economic Consequences of Mr Churchill." In Skidelsky (Ed.), *The Essential Keynes*, 299-318, 311.

machine,” he predicted that reduced wages would create social upheaval.²¹ This prediction was vindicated a year later: Churchill’s decision to overvalue the pound exacerbated unemployment in England, inducing, among other things, the General Strike of 1926 in which some 1.7 million workers participated. Classical gold standard did not care for social welfare.

Next, in his 1930 *A Treatise on Money*, Keynes focused on debunking the heavy conviction in gold. He titled a section fully dedicated to gold as “*auri sacra fames*”, which means “accursed hunger for gold” in Latin, and in doing so, in regular Keynes fashion, referenced Virgil’s *Aeneid*.²² As this reference to hunger demonstrates, Keynes recognized gold’s psychological power. He wrote that, according to Freud, fascination with gold even has subconscious origins. Historically, people have ascribed it with “magical properties,” and Keynes thought that such ideas about gold were still present in global economic policy.²³ Pointing at its deflationary nature, Keynes noted that gold supply has never been sufficient as a global currency medium. He observed that, “of late years[,] the *auri sacra fames* has sought to envelop itself in a garment of respectability as densely respectable as was ever met with, even in the realms of sex or religion.”²⁴

Nonetheless, Keynes also observed a gradual shift in gold’s dominance. The war meant that central banks had increased their supply of gold, and this supply had not shifted. As a result, gold was not being circulated. Commodity money was gradually leaving its place to representative money. Gold had hence become more abstract than tangible. Keynes observed that “earmarking... to change the ownership without shifting the location” would bring further change.²⁵ He predicted that, if this continued, central banks would simply be able to choose the value of gold regardless of the quantity that they held. If this happened, then “gold, originally stationed in heaven with his consort silver, as Sun and Moon, having first doffed his sacred attributes and come to earth as an autocrat, may next descend to the sober status of a constitutional king with a cabinet of banks; and it may never be necessary to proclaim a republic.”²⁶ He hence warned that anyone advocating for the gold standard may be inadvertently inciting a revolution.

Keynes therefore questioned the role of gold in the modern world. He refuted three arguments favoring the gold standard. First, he debunked the claim that gold had maintained stable purchasing power over time. As aforementioned, he suggested that this was never due to supply, which is limited. Paralleling his argument in the *Tract*, Keynes believed that “the modern rule of gold is contemporary with the development of representative money.”²⁷ Methods had been developed to economize on the use of gold. As such, Keynes argued that no “special characteristics” make gold able to maintain stable values.²⁸ Instead, Keynes believed that demand regulation allowed gold to have stable values. Second, Keynes refuted the idea that gold maintained high standards in currency systems and kept independent governments in line. In response to this argument, he maintained that, historically, nations abandon the gold standard in time of crisis. As aforementioned in the *Tract*, adopting the classical gold standard itself does not guarantee optimal policymaking.

²¹ Ibid., 312.

²² Keynes, J. M. (2015 [1923]). “A Treatise on Money.” In Skidelsky (Ed.), *The Essential Keynes*, 107-142, 126.

²³ Ibid., 127.

²⁴ Ibid.

²⁵ Ibid., 128.

²⁶ Ibid.

²⁷ Keynes, J. M. (1978 [1930]) “A Treatise on Money: Problems of International Management – II. The Gold Standard.” In E. Johnson & D. Moggridge (Eds.), *The Collected Writings of John Maynard Keynes* (Vol. 6). Cambridge: Cambridge University Press, 258-269, 262.

²⁸ Ibid.

Third, Keynes questioned “whether the ideal standard of value... should be of an international character.”²⁹ For Keynes, an international standard of value reduced the likelihood of any such standard breaking away from gold. If an international standard was to be embraced, then Keynes believed that gold was a beneficial standard so long as it remained “as a constitutional monarch, wholly subject to the will of a cabinet of central banks who would hold the sovereign power.”³⁰ Keynes recognized gold’s dominance over people’s minds and the status quo, meaning that maintaining the gold standard would increase international economic confidence and scientific progress. The problem, then, was how to manage the value of gold. For Keynes, this could best be done through “a supernational authority” with the power to adjust currency values in terms of gold.³¹

In *A Treatise on Money*, Keynes argued that central bankers should focus on adjusting interest rates for full employment rather than managing the rates to safeguard gold holdings and balance trade. To make up for the international trade fluctuations that such a domestic monetary focus may create, Keynes advocated for a new international central bank titled “Supernational Bank” to regulate and oversee global monetary matters. The Supernational Bank would issue “Supernational Bankmoney” (SBM) to all national central banks, which would in turn use SBM in their monetary operations. Essentially, member central banks would use SBM as a gold equivalent for legal reserves. This would “enlarge the world’s monetary base.”³² The Supernational Bank, by managing SBM, could help nations to tackle domestic monetary issues without implementing deflation. All in all, central banks could borrow SBM from the Supernational Bank proportionate to their own gold and securities, and the Bank could stabilize the value of SBM by varying its quantity. Thanks to this new international central bank, countries would always have a lender of last resort for emergencies and hence be able to access needed liquidity on reasonable terms. Governments would no longer have to resolve currency or trade issues through unemployment. With the Supernational Bank and the SBM, gold would only be retained with for its “symbolic value.”³³ The SBM would eventually supplant it. Later on in the 1940s, Keynes refurbished this idea, naming the currency “bancor” with the aim of not just superseding gold as the ultimate reserve asset but also of preventing the inexorable march towards global hegemony of the dollar. Hence, even before the Great Depression of 1939, Keynes had already introduced the intellectual framework of the IMF and the World Bank.

In his 1931 work *The End of the Gold Standard*, Keynes argued that countries maintaining the gold standard would eventually be at a disadvantage.³⁴ These disadvantages would include a dwindling export trade to the point of an unfavorable trade balance and a lack of foreign deposits. He hence suggested that the orthodox gold standard could easily make those on it worse off.

In his March 1933 essay, *The Means to Prosperity*, Keynes outlined his ideas to influence the proceedings of the World Economic Conference, which was to be held in London from June 12 to July 27. He argued for expanding the reserves so that central banks could “promote loan-expenditure and thus raise prices and restore employment.”³⁵ This would mean putting “at least

²⁹ Ibid., 268.

³⁰ Ibid., 348.

³¹ Ibid., 303.

³² Skidelsky, R. (2000). *John Maynard Keynes: Fighting for Britain 1937-1946* (Vol. 3). London: Macmillan, 192.

³³ Goodman & Schuler, *Bretton Woods*, 4.

³⁴ Keynes, J. M. (2015 [1931]). “The End of the Gold Standard.” In Skidelsky (Ed.), *The Essential Keynes*, 355-359, 358.

³⁵ Keynes, J. M. (1933). *The Means to Prosperity*. London: Macmillan, 30.

1,000,000 back to work.”³⁶ Given this, Keynes believed that the United Kingdom needed to add at least £100,000,000 to the annual primary expenditure instead of spending it on increased loan-expenditure. He also argued for a series of conditions required for increasing international money reserves. First, he suggested that “the additional reserves should be based on gold.”³⁷ His reasoning was that gold had become the most common reserve. Foreshadowing the Bretton Woods outcome, Keynes proposed an international authority whose job should be issuing “gold-notes” with a value attached to the dollar.³⁸ These would be used as central bank reserves. This proved to be very similar the Bretton Woods regime, in which, in lieu of gold certificates, the US dollar would be as good as gold. Keynes believed that gold could be a part of the international monetary system, but only subject to certain conditions.

Having previously described gold as a “barbarous relic,” Keynes at that time argued for a “qualified return to the gold standard.”³⁹ Via gold notes which would be equivalent to gold, national currencies would be defined in terms of gold. Keynes acknowledged the seeming contradiction with his previous stance, and he justified the change by suggesting that the gold standard had displayed such disadvantages that people would now accept that it needed management. A gold-based system was therefore not *ipso facto* non-Keynesian. Keynes believed that what he saw as key features in a monetary system — the prevalence of the domestic concerns over the international, deficit spending, and preventing scarcity of reserves from forcing contractionary monetary and fiscal policies — could be achieved under a “managed” gold standard as well.

Further foreshadowing Bretton Woods, Keynes argued that every participating nation should maintain a parity of less than 5% between gold and their domestic currency to prevent vicissitudes. This parity should be alterable. He believed that it would be “desirable to maintain permanently some power of gradual adjustment between national and international conditions.”⁴⁰ This would prove to be in line with the fundamental disequilibrium clause in the Bretton Woods agreement, which would allow for some leeway in exchange rates.

Keynes viewed the alternative to increasing reserves via gold certificates as futile and unhelpful for debtor countries. He suggested that simultaneously devaluing national currencies in terms of gold would only benefit countries with large gold reserves, which were already strong. This provided the basis for his concern with creditor and debtor adjustment responsibility.

In his 1933 article *National Self-Sufficiency*, Keynes argued that countries should be protected from “decadent international but individualistic capitalism.”⁴¹ Nations, in his eyes, needed to free themselves from vulnerability to foreign economic change and instead focus on their own “*favorite experiments* towards the ideal social republic of the future”.⁴² This could be accomplished through isolationism and self-sufficiency, if this was possible in an uncultly manner. In line with Keynes’s stance on domestic adjustment taking priority over exchange rate adjustment, this meant prioritizing national autonomy over international concerns.

In his 1936 work *The General Theory of Employment, Interest, and Money*, Keynes argued that the government should assume an activist role rather than staying a passive observer and use countercyclical demand adjustment to stabilize the economy. Keynes rejected Say’s Law, which

³⁶ Ibid., 35.

³⁷ Keynes, J. M. (2010 [1933]). “The Means to Prosperity”. In Skidelsky (Ed.), *The Essential Keynes*, 359-372, 370.

³⁸ Ibid., 371.

³⁹ Keynes, *The Means to Prosperity*, 31.

⁴⁰ Ibid., 32.

⁴¹ Keynes, J. M. (2010 [1933]). “National Self-Sufficiency.” In Skidelsky (Ed.), *The Essential Keynes*, 86-91, 87.

⁴² Ibid., 89.

states that supply creates its own demand. For Keynes, if left alone, markets were inefficient and unstable. Hence, government intervention was needed to mitigate market imperfections and spur the economy, as well as employment. Further, Keynes argued for countercyclical demand management techniques. This new role for the government introduced deficit spending during slumps to maintain price and employment levels. Most importantly, with regard to the global monetary order, Keynes argued that policymakers should prioritize their domestic economies. Like in the Keynes Plan for Bretton Woods, he suggested that the domestic sphere should overtake international concerns, paralleling embedded liberalism.

In 1941, Keynes penned *The Clearing Union*, which was organized into two parts: “Post War Currency Policy” and “Proposals for an International Currency Union”. In this publication, Keynes laid out the problems with the classical gold standard. In “Post War Currency Policy”, he wrote that *laissez-faire* economic methods did not create a beneficial equilibrium, and to believe so was “a doctrinaire delusion which disregards the lessons of historical experience without having behind it the support of sound theory.”⁴³ He noted that *laissez-faire* had been breaking down before the war and had now fully disappeared. In line with Judith Goldstein’s thesis discussed in Chapter 2 of this dissertation, Keynes believed that this offered a fresh start that would have been otherwise impossible.

Keynes thought that the gold standard had failed because it forced debtor adjustment. He argued that debtor countries took on the burden of adjustment despite being weaker. All in all, he suggested that “the process of adjustment is *compulsory* for the debtor and *voluntary* for the creditor” because choosing not to make adjustments didn’t disadvantage creditor nations.⁴⁴ That was because there was no upper limit on a country’s reserves, but the reserves couldn’t fall into the negative. In the case of international loans as means of adjustment, debtors needed to borrow while creditors did not. He therefore argued that debtor adjustment made “the poor poorer.”⁴⁵ Overall, he aimed to create a system that put more burden on creditor countries without allowing debtor countries to take advantage. Keynes’s stance for creditor adjustment would directly clash with White’s insistence on debtor adjustment, which marked White further away from the Keynesian umbrella.

In “Post War Currency Policy”, Keynes further argued that another defect of the pre-war system was that “it allowed *laissez-faire* in the remittance and acceptance overseas of capital funds for refugee, speculative or investment purposes.”⁴⁶ Keynes wrote that the flow of funds to surplus countries – rather than the debtor countries that needed it the most – exacerbated the problem and hence there was the need for capital flows. He therefore decided that *laissez-faire* should be left behind by regulating capital funds. White and Keynes came to agree on the need for capital controls against destabilizing international flows.

In the Keynes Plan, Keynes argued that an International Clearing Union should act as an international central bank. Bancor, the Clearing Union’s very own currency, could be converted into all other currencies at a fixed rate. Bancor would be flexibly fixed and equivalent to gold. To settle trade balances, each country would use their bancor-denominated account at the Clearing Union. By this plan, any member could pay gold to the Clearing Union and receive a bancor credit balance. However, this was to be a one-way mechanism, as it would not be possible to pay bancor and receive gold. This would hence create a system of “one-way convertibility,” which was

⁴³ Keynes, J. M. (1941). “The Clearing Union.” In Skidelsky (Ed.), *The Essential Keynes*, 426-443, 426-427.

⁴⁴ Ibid., 432.

⁴⁵ Ibid., 433.

⁴⁶ Ibid., 434.

common before the war for currencies on a “gold exchange standard”.⁴⁷ The aim was to lessen gold’s role in the international monetary system, a system that would be “Keynes’s *coup de grace*”.⁴⁸

Likewise in the Keynes Plan, Keynes dedicated a full section titled “the position of gold under the plan.”⁴⁹ Recognizing gold’s continuing importance, he wrote, “gold still possesses great psychological value... and the desire to possess a gold reserve against unforeseen contingencies is likely to remain.”⁵⁰ He also found gold to be an undisputed value standard internationally and thought that any substitute would be controversial. In essence, he thought that the Clearing Union should still use gold, just not make it the key element of a monetary system. One-way convertibility was to be his answer.

In line with his previous ideas, Keynes wanted to bring forth creditor-side adjustment through his proposal for an International Clearing Union. This directly contrasted with White’s plans for Bretton Woods, which espoused debtor adjustment orthodoxy. Keynes maintained that one major problem with the gold standard was that it brought forth deflation. Deficit countries held sole responsibility to restore their trade balance, and this led them to seek competitive prices in international markets for their goods by decreasing domestic wages and causing severe unemployment at home. Crucially, surplus countries benefited from the debts of other countries while debtor countries only experienced shame and unemployment. Keynes believed that, to render global trade sustainable, creditor countries had to sacrifice their earnings partially to correct their trade imbalances with debtor countries. He did not want creditor countries to be “passive”.⁵¹ In the Keynes Plan, he wrote that creditor countries should not use their credit to disadvantage the global economy, since they themselves are part of this economy. The economy, in his eye, was a collective responsibility. As such, he suggested that the International Clearing Union should revalue the currencies of countries both with a deficit and a surplus to restore balance to the economy. Debtor countries, instead of pursuing deflationary measures, could seek financing from the Clearing Union for their liquidity needs. Regarding large surplus countries, the Clearing Union even had the right to seize balances partially.

Keynes then compared the proposed system to the gold standard. To him, via the International Clearing Union, the advantages of the gold standard could be maintained and even extended, and its disadvantages could be discarded. For example, “exchange dealings would be carried on as freely as in the best days of the gold standard, without its being necessary to ask anyone to accept special or onerous conditions”.⁵² The Clearing Union would help to settle balances between central banks without gold needing to be shipped or earmarked. Furthermore, debtor countries would not bear the brunt of adjustment. For Keynes, to ease the burden of adjustment on debtor countries, both persistent deficit and persistent surplus countries should adjust. Though his goal at Bretton Woods was to prevent exploitation and crises, “what he got was the gold standard with a bailout fund.”⁵³ Whether the Bretton Woods system could have survived if Keynes’s recommendations had been heeded fully is another story.

⁴⁷ Keynes, “Keynes Plan,” 31.

⁴⁸ Conway, E. (2017). *The Summit, Bretton Woods, 1944: J.M. Keynes and the Reshaping of the Global Economy*. New York: Pegasus Books, 127.

⁴⁹ Keynes, “Keynes Plan,” 30.

⁵⁰ Ibid.

⁵¹ Ibid., 28.

⁵² Ibid., 29.

⁵³ Carter, Z. D. (2020). *The Price of Peace: Money, Democracy, and the Life of John Maynard Keynes*. New York: Random House, 361.

For Keynes, domestic concerns such as unemployment and domestic price stability trumped international concerns such as preserving exchange rates. He thought that there ought to be creditor-side adjustment and that debtor countries should not be overburdened. He wished to see an international agreement to issue “gold notes” equivalent to gold, which could increase the reserves to facilitate counter-cyclical deficit spending. There were, in fact, substantial agreements between Keynes and White. Yet, Keynes also wished to see a gradual lessening of the role of gold. Before delving into White’s *Selection of a Monetary Standard for the US* report, I first survey some of his previous works.

Early White

White studied under Taussig for his PhD at Harvard. Besides being a Harvard Professor, Taussig also served as the Chairman of the US Tariff Commission. Although Taussig supported mainstream notions that open trade was mutually good for welfare, he made exceptions in some cases. In particular, he argued that each industry should be considered on its own terms, and he did not believe that the US economy was mature enough to discount the qualities of each individual industry, particularly when it came to tariffs. Taussig argued that, even in a mature economy, new industries needed time to develop before they could compete overseas. Hence, at least on a case-by-case basis, he was pro-protectionist, supporting tariffs in certain industries.

In his 1927 *Free Trade, The Tariff and Reciprocity*, Taussig observed countries turning to protectionism. The US had ramped up duties from the times of the Civil War. France and Germany had followed with tariff barriers, and Austria, Italy, Russia, and the Netherlands joined the ranks of protectionism. Taussig observed that economic theories were being significantly revised at this time, including classical texts by Adam Smith and David Ricardo. Taussig hence argued that *laissez-faire* was now in the past and caution and state-managed industry was the future. All in all, he argued that tariffs to protect young industries should be considered on a case-by-case basis and that free trade could not fully continue.

This is an argument that White and Taussig echoed in their later co-authored works. For example, together they updated *Some Aspects of the Tariff Question* (1915; 1918), in which Taussig developed his theories on tariffs and looked at their effects on significant US industries. He argued that even for a country in a late stage of development such as the United States, there was scope for infant industry protection. He acknowledged that conditions were difficult for emerging industries and that that tariff protection could help. For example, he found that the duties imposed on silk and worsteds had helped to establish those domestic industries in the United States. He hence suggested that technical progress had been possible in the United States because of protectionist policies.

In 1930, White helped Taussig to update this study with industries that had evolved since 1918. In the third edition, as well as in a jointly authored 1931 article in the *Quarterly Journal of Economics*, Taussig and White analyzed US rayon production and argued that protective tariffs against European rayon had helped this domestic industry to emerge. This was an example of White supporting a protectionist policy against free trade in order to help the domestic economy.

White dedicated his 1933 PhD dissertation to Taussig. This dissertation looked at pre-war French international accounts, including loans and capital flows. He situated his inductive study in a broader framework of studies which tested “the doctrines of the orthodox theory of

international trade.”⁵⁴ He argued that that France was a particular case study because “gold played a very important role in the monetary and banking system, and capital exports formed a large part of her international accounts.”⁵⁵ France, that is, had invested a large portion of its savings abroad. White went on to analyze whether this actually helped to improve France’s welfare. He observed that the mechanism for accounts adjustment in France presents a puzzle: “deposit banking was relatively in its infancy; gold reserves were very large and growing; the domestic banking situation was relatively insensitive to external gold movements.”⁵⁶ White hence intended to understand how the equilibrium in French international accounts was achieved given these special circumstances.

To tackle his research questions, he first constructed the 1880-1913 data for French international accounts from scratch, as no balance sheet existed. Regarding the orthodox gold standard’s heavy reliance on specie-flow as an adjustment mechanism, White was skeptical. His data, not just on France but also on the United States and Canada, suggested that a combination of forces, not the specie-flow mechanism alone, maintained equilibrium in French payment balances. White saw problems with neoclassical theory, since it only explains rare economic conditions. As such, he argued that it simply shows “a sequence of changes which undisturbed would in time bring about adjustment” but had rarely operated beyond the influence of rapid economic change.⁵⁷ It therefore ignores certain problems and “exaggerates the effectiveness of gold flows and sectional price changes”.⁵⁸ For White, the orthodox gold standard was not the answer.

White then moved onto offering five areas in which neoclassical theory needed to be reworked. First, regarding exchange rates, White observed that while proponents of the theory knew the differences in adjustment mechanisms among countries on and not on the gold standard, they made allowances for the fact that countries rarely traded only with gold standard countries. According to him, “adjustment, therefore, is always aided by the movements of those exchanges which fluctuate between regions more widely separated than the gold points (or rather the gold regions).”⁵⁹ Second, White observed that the ability to keep foreign balances in leading countries was reducing the need for gold shipments. Furthermore, the increase in foreign balances was allowing fluctuation and therefore changing demand schedules, altering import and export movements. Third, White found that the influence of the specie-flow mechanism on credit was negligible compared to other forces. Fourth, he suggested that capital exports could partially correct “disequilibrium caused by sudden increases or decreases in the merchandise balance” if this balance had been affected by exceptional conditions in the lending or borrowing country.⁶⁰ Hence, what causes equilibrium can partially correct equilibrium regardless of other means of adjustment. Fifth, he applied the same point to changes in business conditions; that is, they could both cause and partially correct disequilibrium. For instance, while a developing country could be introducing disequilibrium by increasing its exports, it could also be borrowing foreign funds to partially correct the disequilibrium. The specie-flow mechanism as espoused by the orthodox gold standard was not the sole means of adjustment. Adjustment, White argued, could take place via other means as well.

⁵⁴ White, H. D. (1933). *The French International Accounts 1880-1913*. Cambridge, MA: Harvard University Press, vii.

⁵⁵ Ibid.

⁵⁶ Ibid., 35.

⁵⁷ Ibid., 306.

⁵⁸ Ibid.

⁵⁹ Ibid., 307.

⁶⁰ Ibid., 309.

White saw that, in his period of study, France had invested between a third and a half of its savings abroad. However, White refuted the classical theory that such lending would provide significant benefits. He discovered that foreign lending had risks that France had not considered, leading to lower-than-expected returns and a drained domestic economy. He hence argued that such investment had not increased national income. Behaving in accordance with the classical economic theory had not resulted in better returns for France.

Regarding capital controls, White remained skeptical of the neoclassical stance on capital mobility. His research on France led him to criticize the orthodox idea that capital exports should be unrestricted to the benefit of both lender and other nations. Hence, he suggested that some control over foreign investments was needed. In the case of the United States, he argued that even if US foreign investment had had domestic and international benefits, there was no evidence to suggest that unrestricted capital exports would continue this trend. He therefore deemed it necessary to evaluate the effects of capital exports before things changed for the worse. Being skeptical of the classical stance that capital flows should be unrestricted, White believed that each case's relevant data and circumstance had to be examined individually. He went on to win the David A. Wells Prize for the best economics dissertation and publish his dissertation via Harvard University Press under the name *The French International Accounts* (1933). The work exemplifies White's early ideas in favor of restrictions on capital movements, which he would later support at Bretton Woods as well. Necessity for capital controls would be one of the areas in which White was in line with Keynes.

Post-graduation, White started his career with a professorship at Lawrence College in Appleton, Wisconsin. White's involvement with the Treasury started with his connection to Dr Jacob Viner, who was Keynes's well-respected adversary, once Taussig's student, and later Milton Friedman's teacher. When Viner took a position at the Treasury as Adviser to Secretary of Treasury, Henry Morgenthau Jr, he invited White to work for a research project with him for the summer of 1934. Taking Viner's offer and travelling to Washington DC, White studied the gold standard, international finance, and international trade. White's summer research, which evolved into a 450-page report submitted to Treasury Secretary Morgenthau on September 22, 1934, *Selection of a Monetary Standard for the United States*, exemplifies his ideas on gold. In the report, White argued for a managed standard which would render the gold standard more flexible to allow for national monetary policy autonomy. The report shows that, by 1934, White's ideas for how a monetary system should look had already crystallized. After that summer, White stayed at the Treasury, leaving his academic career behind.

Another major work by White that showcases his ideas on gold is *The Future of Gold*, which he is considered to have produced "over the period between 1939 and 1942."⁶¹ It was also written during his time at the Treasury, though as an unsolicited, extracurricular activity. Both the *Selection of a Monetary Standard for the US* and *The Future of Gold* are unpublished studies. In this and the next chapter, I reference these works to elaborate further on White's monetary views.

White's *Selection of a Monetary Standard for the US*

In the foreword to the report, White states that "the ultimate goal of monetary and banking legislation and policy [is] the promotion and maintenance of prosperity."⁶² The report's goal was

⁶¹ Harry Dexter White Papers at the Seeley G. Mudd Manuscript Library, Princeton University. 1934. Box 9, File 7. Page 6.

⁶² Ibid., 1.

to find a satisfactory monetary standard appropriate for the United States. To do so, White analyzed the efficacy of several monetary standards regarding international and domestic transactions, as well as the securement of prosperity. Finally, he proposed one policy which he considered to be best suited for the United States.

The Four Criteria

Part I of this 1934 report begins by asking the question, “what do we demand of a monetary standard?,” and it continues to outline what, ideally, a successful monetary standard should provide:

- 1st – First criterion... of the efficiency of a particular monetary standard as an agent in the struggle for permanent and widespread prosperity is the extent to which it serves to:
 - (a) reduce those unproductive disturbances to business activity directly attributable to monetary phenomena,
 - (b) protect the economic life of the nation against disturbances originating in foreign countries,
 - (c) mitigate disturbances, which originate at home;
- 2nd – Second criterion: promotion of trade and finance;
- 3rd – Third criterion: sovereignty in shaping domestic policies;
- 4th – Fourth criterion: prevention of redistribution of incomes through fluctuating price levels.⁶³

White saw three major waves of thought in international opinion regarding which monetary system should be adopted. Some were still gold supporters, preferring the gold standard or a modified form of it. Others preferred a national standard, and others preferred a bimetallic standard of gold and silver. In this report, White evaluated the claims under each proposal. To do so, White believed, expectations from a monetary standard needed to be made clear.

The first criterion concerns whether the monetary standard reduces economic maladjustments in a way that would spur production and reduce unemployment. For the report’s purposes, disturbances associated with monetary phenomena – which involve needs around the supply of money, including cash and demand deposits – are most relevant. To fulfill the role of the medium of exchange properly, the quantity of money should be able to expand and contract smoothly. If a monetary system makes this expansion or contraction too severe, interest rates fluctuate too much, or prices significantly rise or decrease, it fails to fulfill the first criterion. Such a monetary system neither acts as an efficient medium of exchange nor as a stable provider of deferred value. The first criterion’s significance is amplified in a world that is much more globalized, meaning that events elsewhere have an immediate effect in the United States. As countries are more sensitive to global economic forces, and shocks easily transfer from one region to another, the monetary standard chosen should be effective enough to protect parties from disturbances happening elsewhere.

The second criterion, promotion of trade and finance, expects the monetary standard not only to mitigate disturbances but also to make a positive contribution by stimulating national income and national wellbeing. On the technical side, the expectation is that the monetary standard should ensure smooth trade operations by providing an adequate money volume, and this volume should keep up with a growing population and increased trade. The standard should provide leeway to prevent cases of sharp inflation or deflation.

⁶³ Ibid., 6-9.

The third criterion is sovereignty to shape domestic policies. White saw two roles for a currency standard: the domestic and the international. He saw domestic concerns as adequate means of payment and preventing inflation through redemption privilege. Though the domestic and the international are closely interrelated, he argued that international concerns are only important when they affect domestic matters. For White, echoing Keynes, the monetary system's effect on the domestic economy trumps its international role. He suggested that the United States should have autonomy over its domestic monetary policy. Inevitably, he knew that there would be times when US interests clashed with those of other nations, and he argued that prudence dictates that the United States should be ready to protect its own interests. Just like Keynes, White believed that the ideal monetary standard should sufficiently spare the country from international fluctuations to allow for domestic policymaking.

The fourth criterion concerns redistributing debtor and creditor income periodically to prevent the redistribution of incomes. In a globalized and further financialized world, deferred payment sums were becoming so large that he viewed any monetary standard allowing significant price jumps as immoral. White admitted that a stable index of prices could not bring about complete justice. Nonetheless, he argued that the overall system should strive to provide some type of justice between parties involved in an exchange, a process that requires no sharp or volatile price trends.

In sum, considering these four criteria, White concluded that the monetary standard most appropriate for the United States was the one that would: "1) reduce the maladjustments in our domestic economy; 2) promote domestic and international trade and finance; 3) afford us the largest measure of independence in the working out of our own solutions to our economic problems; 4) prevent unjust redistributions of incomes caused by sharp price trends."⁶⁴ He suggested that the monetary standards under consideration for the United States should be judged by these standards. After evaluating the merits and demerits of each possible monetary standard for the United States, the one that fulfilled all four criteria, in his view, should be the standard most appropriate for the United States.

Monetary Standards with Fixed and Flexible Exchanges Compared

White narrowed the problem down to specific monetary standards before essaying a final evaluation. He lists fixed exchanges as follows: "the gold standard in either its pre-depression form, or some modification, the silver standard, the national bimetallic standard, the international bimetallic standard, symmetalism, and what might be called an internationally managed standard."⁶⁵ A final comparison and hence selection could be made more easily by finding out which standard out of the six listed would work best for the United States. Then, that fixed exchange selected could be compared with a "'managed' currency standard – of which there was virtually only one type, though there were conceivably many variants, each with minor differences."⁶⁶

White believed that, out of the aforementioned six fixed exchange standards, four or five could be ignored. First, an internationally managed monetary standard was too impractical. White observed that a number of proposals for such a system with fixed exchange rates had already existed. Though these proposals differed in details, all of them essentially assumed that there

⁶⁴ Ibid., 14-15.

⁶⁵ Ibid., 217.

⁶⁶ Ibid.

should be a global, external authority that could manage monetary policy. White did not believe this to be possible considering that international cooperation had failed when the stakes were even lower. All in all, he did not foresee a change from a common metallic standard for a long time. White was very much aware of political constraints.

Second, White set aside the silver standard, which he deemed no different to the gold standard. He therefore suggested that it created no new advantages, only disadvantages. A silver standard would, in his mind, cause price fluctuations and increase the risk of inflation without increasing reserves. He also observed that only Hong Kong had a significant silver standard. White therefore saw no future role for silver.

The third and fourth options White set aside were the national bimetallic standard and the international bimetallic standard. A national bimetallic system required “the free coinage of gold and silver at fixed prices in terms of each other, and free conversion of currency into either metal.”⁶⁷ Looking at the historical record, he saw that no country had had this system since the 1870s. An international bimetallic system, on the other hand, requires domestic currencies to be redeemable in either gold or silver at fixed rates. Under this system, “the ratios between the prices of gold and silver must be the same for all countries, and free movements among and within countries must be permitted for both metals.”⁶⁸ White saw national bimetallism as disadvantageous and international bimetallism as impractical, and hence he decided to elaborate on bimetallism further only in the appendix. At Atlantic City and Bretton Woods, Mexico brought forth bimetallism as an alternative global monetary regime, but it was dismissed by other delegations. At both conferences, silver was refused a role.

Fifth, White set aside symmetalism, whereby “the unit of value consists of a fixed combination of gold and silver, and purchase and sale of specie by government is permitted only in combination at the fixed ratio.”⁶⁹ Symmetalism differs from bimetallism in that its transactions always involve both metals, not one or the other. White noted that such a system had never existed in modern history. He also foresaw a disadvantage for the United States in this system: that the value of the dollar against international currencies would fluctuate alongside the price of silver. With an internationally-managed system, as well as a silver standard and bimetallism (either national or international) eliminated, the choice among fixed exchange monetary standards remained between the gold standard and the gold exchange standard.

The gold standard permitted free movement of gold domestically and internationally. Government bodies bought and sold gold at a fixed price. Under the gold standard, “the price of dollar exchange in terms of gold... [could] fluctuate around the mint par (price established by statute) only within the narrow limits of the gold points.”⁷⁰ The costs of obtaining and moving gold between countries set these limits. Gold prices were established in such a manner that there was usually only 1% between gold points and the mint par. Gold standard could either be practiced as gold bullion standard or as gold exchange standard. Under gold bullion standard, gold coins do not circulate, and governments fix the price of and sell gold bullion. England’s 1925 return to the gold standard was, in effect, a return to gold bullion standard.

All in all, White found that a slightly modified gold standard was the only viable option for the United States to maintain fixed exchanges. Hence, White had to weigh this option up against standards with flexible exchanges. Within his parameters, he found that only one such standard

⁶⁷ Ibid., 18.

⁶⁸ Ibid.

⁶⁹ Ibid., 19.

⁷⁰ Ibid., 16.

would be beneficial: “a national currency standard, or, as it is frequently called, a ‘managed’ currency.”⁷¹ In sum, he had to choose between fixed exchanges via the gold standard or flexible exchanges via a managed currency.

White went on to restate the criteria that he had set to compare and contrast the efficiency of fixed versus flexible exchanges, and hence to evaluate which of the two monetary standards would be satisfactory for the United States. He then reached the following conclusions. For the first criterion, he argued that flexible exchanges would be best, since he foresaw long-term reduction in maladjustments. This shows that, in a Keynesian fashion, White cared about domestic price stability.

For the second criterion – promotion of international trade and finance – fixed exchanges ranked higher, but its advantages could be easily overcome by problems. On one hand, fixed exchanges help to foster trade expansion and encourage international capital movements, except in times of severe stress. Under flexible exchanges, capital exports would be discouraged, causing a decrease in national revenue. On the other hand, fixed exchanges can collapse or reduce business activity during severe political and economic crises, hence exacerbating depressions. At such times, capital movements can be made subject to control – for example, restrictions can be imposed on convertibility and on the outward flow of gold – but that in itself would constitute departing from the gold standard. Another disturbance that can be caused by fixed exchanges is the influence of changing price levels abroad on US domestic prices. When major economic powers undergo severe inflation or deflation, that effect is transmitted to the United States through fixed exchanges. In net, White asserted that fixed exchanges would eventually cause major economic and social problems even if they increased international trade and capital movement. Like Keynes, White believed in the need for flexibility.

For the third criterion – economic independence – flexible yet managed exchanges ranked higher. Having fixed exchanges would have necessitated that the United States pursue a monetary policy that was in line with those in leading foreign countries. Because US national monetary policy on the gold standard could not diverge from those abroad, US sovereignty was restricted. White valued sovereignty and the pursuit of domestic price stability in economic policymaking, again in line with Keynes.

For the fourth criterion – preventing injustice caused by price fluctuations – White found that flexible yet managed currency ranked higher once again. Whether the domestic monetary policy should be focused on maintaining stable values in a cost-of-living index or a wholesale price index, a fixed exchange standard had doubtful prospects for future success. Under fixed exchanges, price levels abroad can be directly transmitted, which presented a serious danger to price stability in the United States. Leading countries could not be forced to decide on their monetary policy in a way that guaranteed US sovereignty over its own monetary matters. In sum, a decision needed to be made between using fixed exchanges to tie US pricing to foreign price structures or using managed exchanges to free the United States from foreign price structures, which didn’t always align with their interests.

White thought that a sovereign monetary policy would eventually require changes in the exchange rate. However, moving exchanges have their disadvantages. The two main ones White cited were: “1) the attitude of foreign countries toward movements of exchange; 2) the attitude of the majority of financiers and businessmen to a monetary unit that is not fixed in terms of gold.”⁷² On the first point, a country altering its currency’s gold value was regarded negatively by other

⁷¹ Ibid., 231.

⁷² Ibid., 235.

countries and could even sometimes trigger retaliatory responses such as embargoes, import quotas, or tariffs. Furthermore, in retaliation, other countries could depreciate their own currencies for competitive advantage in trade, creating a vicious cycle. The second disadvantage of moving exchanges was people's attitude in the financial and economic sector. White observed that people were constantly calling for "'sound' money practice, for 'integrity' of the dollar – meaning a dollar with a gold content fixed by law."⁷³ As such, there was widespread public distrust of the dollar if it was not on the gold standard. By writing so, White recognized the banking interest of the time. He was possibly aware of the restraints that his policies would face in Congress. He was not developing his ideas in a vacuum but was aware that a currency linked to gold still reigned supreme in many minds. Gold could not be easily done away with.

As a result, what White proposed was a suitable monetary standard for the United States in which economic independence regarding monetary policy could be combined with maintaining stable exchange rates. In all four criteria, as aforementioned, White agreed with flexibility and the importance of domestic price stability, yet he saw a necessity for a gold anchor. His proposal for the United States, therefore, was an amalgamation of fixed and flexible exchanges – essentially, a modified gold standard.

Recommendations

White proposed that the United States should adopt a new monetary standard which would combine the gold standard and a national monetary standard, hence keeping the advantages while shedding the disadvantages of each. This new standard was not to be a drastic departure and could be easily adopted. Essentially, it was "a 'managed' currency standard."⁷⁴ He dubbed this proposed system the "INTERNATIONAL GOLD STANDARD", meaning that gold would settle international transactions; he also included the word "gold" in the knowledge that people already trusted this system.⁷⁵

Plan A.

For sake of clarity, I quote the provisions of Plan A to inaugurate the "International Gold Standard":⁷⁶

A. Gold and Silver Monetary Stock.

- 1. The concentration of all monetary gold and silver (except subsidiary coinage) to be kept as now with the Treasury, and the current regulations with regard to the issue and use of gold and silver certificates continued. There is considerable room for simplification of our monetary system, but it is desirable to make only those changes which are essential to the successful operation of the proposed standard.*
- 2. Under this proposal a stabilization fund will be no longer necessary. The two billions in the fund should, therefore, be spent by the Government in place of new loans or to be used to redeem outstanding bonds.*

⁷³ Ibid., 238.

⁷⁴ Ibid., 245.

⁷⁵ Ibid.

⁷⁶ Ibid., 246-250.

3. *The 8 billions of gold (and silver) should be used in the settlement of international transactions and for purposes of facilitating such transactions. A portion of these reserves (not to exceed 20 percent) may be kept in the Bank of International Settlements and other Central Banks at the discretion of a specially created monetary commission (or a reorganized Federal Reserve Board). Portions of that sum kept abroad may be invested abroad in prime short-time paper and may also be used to aid other Central Banks when in the opinion of the monetary authority such assistance would be an aid to the banking policy maintained at home.*
4. *The present prohibition regarding the coinage and circulation of gold coins to be continued, and, if possible, expanded to include silver dollars.*
5. *The specie reserves will be reduced only by exports of gold against which exchange would be sold, and by sale of gold to be used for domestic industrial purposes. In exchange for the gold or foreign exchange the Federal Reserve banks, who would obtain the gold from the Treasury by surrendering gold certificates or silver certificates, would receive payment in the form of checks against deposits of a member bank. The sale of exchange would reduce either foreign balances of the Federal Reserve banks or its gold holdings (through the export of gold). Purchase of exchange, on the other hand, would increase its foreign balances or its gold holdings (through imports of gold) to an amount equal to the exchange bought.*

With every sale of exchange or of gold the deposit or the note liability of the Federal Reserve bank would decline an equal amount; with every purchase of foreign exchange specie holdings (or foreign balances) would increase, and its liabilities in the form of deposits or Federal Reserve notes would increase equally. That is, the gold would go to the Treasury, but the banks would receive gold certificates.

B. Gold Reserve Requirement to be Eliminated.

1. *The present gold reserve requirements against reserve bank deposits and against notes shall be eliminated.*
2. *No minimum limit on the specie reserves in the Federal Reserve banks shall be required by law.*

C. The Gold Value of the Dollar.

1. *The gold content of the dollar (i.e., the par value), will be established by the Federal Reserve Board and with the consent of the President.*
2. *The right to alter the gold content of the dollar would rest with the Federal Reserve Board only with the consent of the President.*

Alterations in the gold content of the dollar should be made only when, in the opinion of the Board and the President, the specie reserves are reduced to a level considered the safety point. What constitutes the safety point depends upon the general situation and therefore will vary from time to time. The decision as to what sum at any particular time constitutes the safety point must be left to the Board. The par value, when altered, should be changed only enough to check a drain on the reserve fund and slowly to build it up to a reasonable level above the safety point.

3. *The Board should be given the authority to alter the buying and selling price of gold within the limits of two per cent above par and two per cent below par without permission from the President being necessary.*

D. Exchange Control.

1. *The Board shall be the Government's agent to buy and sell foreign exchanges. The right to purchase gold or foreign exchange from the United States at the established buying price should be subject to restrictions imposed by the Board rather than, as now, by the Secretary of the Treasury. No limitations are to be placed upon the right of the individual to buy gold or foreign exchange in payment for legitimate imports.*
2. *No restrictions shall be imposed on the purchase and sale of gold from and to the Board unless the Board is of the opinion that hoarding of gold is taking place on a scale worthy of attention.*
3. *Purchases of foreign exchange for the purpose of foreign investment, whether short-time or long-time, or for purposes of removing funds from this country, whether for investment or not, should be subject to control by the Board.*
4. *The Federal Reserve Board is to have the authority to require such information from those who wish to purchase gold or foreign exchange as will enable them to determine the purpose for which the exchange or gold is desired.*
5. *No foreign Central Bank deposits or short-time investments in the United States shall be held without the consent of the Board. Restriction of one without the other is ineffective. Since the restrictions apply only to Central Banks they can easily be enforced.*
6. *Restrictions on the sale of gold or foreign exchange to be imposed only when in the opinion of the Board such action is warranted by the condition of the reserve fund and the prospects of supply and demand of foreign exchange. The guiding principle is to be as little interference as possible with the purchase and sale of foreign exchange and gold so long as the gold movements out of (or into) the reserves do not interfere with the Board's objective.*

Though in White's Plan A the Fed would have authority in monetary policymaking, he clarified that the Fed was a second choice. Rather than the Fed, he proposed a special government commission of four people, chaired by the Secretary of the Treasury. The Fed would be given administrative duties to work under this commission. Though it was not obligatory to have such a commission for the recommended monetary standard to work, White thought that having such a body with complete authority over US monetary policy, accountable to the President directly, would be more effective. Likewise, the commission would not even have to be specially-created but – as long as it had the necessary tasks, human capital, and power – could even be a reorganized version of the Fed. For White, the choice of a monetary standard most appropriate for the United States was really between a “fixed exchange with administrative powers to alter the rate, and [a] fixed exchange with powers to alter the rate left only to Congress.”⁷⁷ Between the two options, he found the former to be preferable, as it would allow for more autonomy in monetary policymaking.

With the specially-created Government commission and large reserves, the monetary authority could implement the policies best suited for the United States. Under the orthodox gold standard, on the other hand, the Board would not have any flexibility except if the United States decided to depart from the gold standard. White believed that getting rid of the gold standard was more speculative and controversial than altering exchange rates and would therefore initiate serious monetary and banking problems. Because of the stigma attached to departing from the gold standard, it would not be undertaken until the very last minute. In fact, the gold standard would be

⁷⁷ Ibid., 308.

done away with only after it was seen as a preferable alternative to deflation. On the other hand, instituting a board capable of altering the exchange rate as it saw fit to maintain balance of payments or increase the reserves would be a quicker and less controversial method. As adjusting the exchange rate would be an easier process than a full departure from the gold standard, it could be done before the monetary situation became more serious and hence before a sharper exchange rate change was required. Overall, White believed that maintaining a balance of payments was only possible by altering exchange rates or contracting the means of these payments' domestic volume. Via the Board and a large reserve fund, the need for immediate action could be postponed, and time could be given for the situation to correct itself.

Paralleling Keynes, White believed in capital movement restrictions. Free capital movements not only necessitate large specie reserves but also enable "speculative movements and the depletion of reserves through so-called 'flight of capital'."⁷⁸ The prophecy is self-fulfilling, since exchange dealers aim to anticipate and initiate the decline of reserves if they see signs that reserves will decline. Reserves will therefore be pressured no matter their size, since a rapid depletion is always possible. Exchange depreciation can reach disturbing levels. Regarding impending flights of capital, effective restrictions on capital movements needed to be in place to prevent a rapid and serious decline in reserves. With capital movements under control, gold reserves would be safer. With capital controls, international balance of payments disequilibrium is more likely to be corrected without changes in the gold price. White supported restrictions on capital movements in a Keynesian fashion.

White believed that if gold standard countries were facing severe price declines (10-15% per year) then US gold exports, the Fed, and stable domestic prices in the United States simply could not mitigate that fall. It was largely in this respect that White saw the international gold standard as superior to the usual gold standard, as shown in his report. Under the gold standard, US prices would fall along with foreign prices, bringing about global deflation. In that case, the United States would have to depart from the gold standard or radically devalue the dollar, both of which White considered too harmful. On the other hand, under the international gold standard, exchange rates could be slightly adjusted, and US domestic prices hence could be somewhat protected against deflation abroad. The shock to the US economy could therefore be partially mitigated via the altering of exchange rates before the situation became worse. Further, trade levels would be less affected in the case of persistent deflation. Under the international gold standard, US trade would fall less, since the United States then could spend gold without lowering its national income, support other nations, and halt domestic deflation. A gold standard with fixed exchanges would create the opposite outcome. Under the regular gold standard, in the case of deflation, convertibility would be threatened because of gold drains both internally and externally, and hence payment suspension would be required. Under the international gold standard, on the other hand, "larger sums could flow out without bringing to a head the same degree of concern over our gold position."⁷⁹

Overall, for price stability, White found that either exchange rates needed to be altered, or domestic prices needed to be permitted to move. Therefore, one needed to choose "between two evils: change in price of gold, or change in price level."⁸⁰ Paralleling Keynes, White considered domestic price stability to be more important than simply complying with exchange rates for sake

⁷⁸ Ibid., 262.

⁷⁹ Ibid., 296.

⁸⁰ Ibid., 308.

of external considerations. His flexible system based on gold aimed to inspire confidence while allowing more room for sovereignty in economic policymaking.

Plan B.

Having explained Plan A's details, White explained a substitute proposal termed Plan B. White's attempt at a milder proposal shows that he was very much aware of his political constraints, namely Congress. Though he could be idealistic, he also thought practically in terms of what appeared to be politically possible. White acknowledged that changes were needed to embark upon an international gold standard, such as eliminating gold reserve requirements against central bank liabilities and refusing the right to alter the price of gold; however, he knew that these would be considered too radical for some. White, therefore, shared a second proposal with milder modifications. For sake of clarity, I quote the details of Plan B:⁸¹

I. Gold and silver monetary stock.

- (a) As in Plan A, all monetary gold and silver are to be added to the reserve in the Federal Reserve Banks. The present holders of the specie (United States Treasury, etc.) to exchange their specie holdings for Federal Reserve Bank deposits. Silver specie to be credited at their current domestic market price. Gold and silver certificates to be treated as in Plan A.*
- (b) Silver specie to be counted in the specie reserves at the price paid for it.*
- (c) Purchases of silver specie to cease. Such silver as is needed for subsidiary coinage to be purchased by the government from the stock of the Federal Reserve Bank at the price at which the silver was obtained.*
- (d) The Federal Reserve Bank is to be permitted – at the discretion of the Federal Reserve Board⁸² to hold gold bullion in the Bank for International Settlements, and in foreign central banks in amounts not more than 10 per cent of the gold reserves of the Federal Reserve Banks; providing agreements can be made with the respective governments and the Bank for International Settlements to regard such holdings as the property of the United States Government, and not subject to devaluation, or withdrawals except at the request of the Federal Reserve Board.*

II. Specie Reserves.

- (a) The present 40% gold reserve requirement against note issues to be withdrawn.*
- (b) The present 35% gold reserve against reserve bank deposits to be reduced to 25%.*
- (c) The Federal Reserve Board to be given the power to keep abroad in form of foreign deposits, investments in foreign prime paper, or loans to foreign central banks, funds not to exceed 5 per cent of the Federal Reserve Bank's deposit liability. The sums so kept are not required to be subject to any special international agreement. Deposits may be kept only in the Bank for International Settlements, and the central banks of each country. The distribution of the sums to be left to the discretion of the Federal Reserve Board.*
- (d) All funds kept abroad by the Federal Reserve Banks, whether in gold, deposits, investments, or central bank loans – to be counted as part of the specie reserves of the Federal Reserve Banks.*

⁸¹ Ibid., 311-314.

⁸² White writes that the "Federal Reserve Board here, as in the previous proposal, is the second choice of monetary authority": Ibid., 311.

III. The Gold Value of the Dollar.

- (a) *The Federal Reserve Board to have the power to alter the buying and selling price of gold not more than 1 per cent above and 1 per cent below par.*
- (b) *Federal Reserve Board shall have the power to alter the price of gold not more than 5 per cent above or below the established par – providing the consent of the President is obtained.*

After the exchange is kept within a range of two per cent, for more than fifteen months, the centre point of the exchange rate fluctuations during that period shall automatically become the new mint par.

IV. Exchange Control.

Same as in Plan A.

Plan B is a less radical version of Plan A. The key differences between Plan A and Plan B are the reserves against deposits, as well as whether the mint par can be altered. Under Plan B, the Fed's rights would be restricted, meaning that it could only change the buying and selling price of gold 1% above or 1% below mint par, thereby narrowing the gold points. It could also only change the price of gold at maximum 5% above or below the mint par, and only with presidential consent. Further, under Plan B, the mint par would change automatically after the exchange rate was secured within a 2% range for 15 months. He saw this as "a recognition of changing relationships of national price structures, and a compromise between absolutely fiscal exchanges and controlled exchanges as set forth in Plan A."⁸³ Compared with Plan A, Plan B would introduce few changes except that the gold content of the dollar would have to be selected immediately. Though under Plan A, the price of gold would be more easily changed, under Plan B, a gold-dollar exchange ratio could be determined with a longer time horizon in mind, as it could be as easily changed.

White recommended both Plan A and Plan B for adoption by the United States, prioritizing the former over the latter. Again, bounded by political constraints, he acknowledged that the changes proposed in both plans – even those in the milder Plan B version – might not have been currently entertained. Aware of the more immediate monetary problems of the United States, White considered several alternatives.

Alternatives Possible if Returning to the Gold Standard.

White believed that, if the gold standard was to be readopted, it needn't replicate the pre-1933, orthodox ways. The gold standard could be reformed while maintaining its essential characteristics: "a legally fixed price of gold, and unrestricted movements."⁸⁴ He thought that various improvements could be made if the gold standard proved to be the best option politically and economically. This again shows that White paid attention to what was politically possible, since he knew that Plan A might not find political support. White then listed some possible alternatives in case the gold standard was readopted:⁸⁵

⁸³ Ibid., 317.

⁸⁴ Ibid., 319.

⁸⁵ Ibid., 319-320.

1. *The gold parity adopted may be the old one of \$20.67 an ounce; or the current parity of \$35.00 an ounce; or some other parity lower or higher than the current one.*
2. *The circulation of gold coins or gold certificates can be renewed, or the present prohibition be continued.*
3. *The gold reserve requirements against note issues may remain the same, be altered, or be eliminated.*
4. *The reserve requirements against Federal Reserve Bank deposits may remain the same, be altered, be eliminated, or made elastic, the power to vary them being given to the Federal Reserve Board.*
5. *International movements of gold may be freely permitted, or formal permission may be required to initiate such movements.*
6. *The spread between the buying and selling price of gold may be narrowed, maintained, or broadened.*
7. *Authority to exercise control over the volume of cash and deposits may be centered in a new body with extended powers, or the present powers granted under the Thomas Act may be made permanent.*
8. *The present policy with regard to silver may be maintained, or a larger or smaller volume of silver may be included in our specie reserves.*
9. *International agreement designed to secure a greater degree of international cooperation in monetary matters can be made with Great Britain and possibly with some other countries.*

White briefly considered each alternative. First, if the parity of \$20.67 an ounce were to be readopted, White believed that US exports would be severely affected because of an appreciating dollar. In that case, either export prices would have to decline or US goods would simply be too expensive for foreigners to afford. The change would be disastrous in both scenarios. Likewise, if imports were cheaper for the United States and US exports were more expensive for foreigners, gold would flow out of the country. There would subsequently be doubts as to whether the United States could remain on the gold standard at the declared parity. In a self-fulfilling fashion, such doubts would lead to speculative actions and bring about gold outflows large enough to cause an actual departure from the gold standard. On the other hand, White also saw a too-low gold parity as “dangerous”, since it would cause gold inflows to the United States to increase.⁸⁶ This would pressure the gold reserves of foreign countries and potentially lead them to seek protective measures such as trade barriers or credit contraction. Further, as the largest holder of the world’s gold at two fifths of the global supply, if the United States were to peg the dollar to gold at too low of an exchange rate, then US hoarding of that gold would cause diplomatic problems. Both high and low gold parities could have harmed US interests.

Going on the gold standard requires determining a gold exchange rate, which must be maintained. Any sign that this rate could not be maintained would cause people to withdraw capital, hence forcing an end to the gold standard. All in all, after reviewing the data, White found that the safest way to adopt a fixed gold parity at that point was to choose “the present gold content of the dollar.”⁸⁷ He hence suggested that par value should be \$35 per an ounce of gold, a rate which, later on, White also recommended at Bretton Woods.

⁸⁶ Ibid., 322.

⁸⁷ Ibid., 331.

Regarding the second point, White saw no need for gold coins or gold certificates to circulate, either for hoarding or for gifts. Further, he argued that the practice of issuing gold certificates to camouflage excess gold holdings presented difficulties when a need to call them all (for example, to increase reserves) arose. He suggested that, once gold certificates are out in circulation, counting the gold back from the certificates to the reserves becomes impossible. Since the public was already accustomed to the absence of gold certificates and gold coins in circulation, their continued omission would not be felt. According to White, there was no advantage to the United States having gold certificates circulate if it continued to maintain its currency on par with gold.

For the third point regarding gold reserve requirements against notes, White imagined a decreased reserve requirement. He refers to Dr. Lauchlin Bernard Currie's report which recommended that gold reserve requirements could be reduced from 40% to 5% by substituting Federal Reserve Bank notes for Federal reserve notes. Regarding gold reserve requirements against deposits, the fourth point, White found it desirable to reduce gold reserve requirements to increase the gold supply at no cost. As was the case with the third point, White saw no reason for the gold reserve requirement to be high. First, he argued that the minimum reserve requirement mainly served as a signal that triggers "forces of contraction when the minimum is approached."⁸⁸ Second, he suggested that the minimum gold reserve requirement would never be passed without payment suspensions tempering expansion or contraction.

White touches on two "objections to a reduction in the reserve ratios": that deflationary measures may not have been able stop an outflow of gold and that possessing large amounts of free gold might be dangerous.⁸⁹ In response to the first concern, White wrote that, in 1933, the United States went off the gold standard long before the legal limit was approached. If gold holdings were pressured, the United States could again be expected to suspend gold-dollar convertibility before its gold reserves threatened to go below the legal reserve requirement. Therefore, both the lower and higher reserve were just as safe as each other. White found that the second concern was only valid if excess reserves could not be sterilized, or if "reserves against deposits of member banks must be in gold."⁹⁰ White believed that gold supplies were sufficient and sustainable enough to allow US deposits to be expanded. Reducing the gold reserve requirements would provide even more gold supply.

White again refers to Currie's report, which discusses whether the gold reserve requirement against deposits could be eliminated. Currie argued that higher reserve requirements would reduce the supply of free gold and therefore prevent banks from offsetting changes in payment balances through changes in gold holdings. Having cited Currie, White summarized his own position. For White, if the gold reserve requirement against reserve bank deposits could not be eliminated and the United States could not control its own demand deposits, then the Federal Reserve Board should have the power to alter the ratio as long as it followed his suggestions previously outlined.

For the fifth point regarding international movements of gold, White called for capital controls. Though the gold standard by definition has no such controls, White believed that it should not preclude reforms. As free convertibility can lead to severe outflows of gold, he argued that it should be restricted at times, and that there should be some control over exchanges. In line with Keynes, White supported capital controls. For the sixth point regarding the spread between gold points, White found that widening the spread to 2% would demotivate speculators and stop capital

⁸⁸ Ibid., 332-333.

⁸⁹ Ibid., 333.

⁹⁰ Ibid., 333-334.

flowing into money centers. A widened spread could also allow for more flexibility in monetary policymaking. For the seventh point regarding ratio of deposits to cash, White refers to Currie's report. The eighth point led White to suggest that silver was not a good approach to increasing reserves since it either came from US mines or simply replaced gold. Furthermore, White considered that the United States already had a surplus of specie reserve. He imagined no future role for silver.

Regarding the ninth and final point on international agreement, White understood that cooperation in a matter as vital as monetary policy was indeed very difficult to achieve, as "the monetary conferences at Geneva and London reveal[ed]."⁹¹ Though it was hard to secure international cooperation encompassing many nations, what the United States needed for its own monetary policy did not require harmony at such scale. Anglo-American understanding was crucial, since the pound and the dollar dominated international transactions, and many countries pegged their own currencies to these two. If an Anglo-American agreement was achieved, then other countries would have to follow suit. He also thought that reaching an agreement with France would be helpful but not necessary. White's stance speaks to the Anglo-American negotiations preceding Bretton Woods.

White argued that cooperation needed to be achieved on price policy and currency ratios. Regarding the former, if the price policies between countries were harmonized, volumes of reserves and business activity could be stabilized due to a reduction in the flow of purchasing power between the United States and the United Kingdom. This, though, would be hard to achieve unless the agreement created ample space for independent action. It was more likely that such cooperation would take the form of agreeing on reducing wholesale price fluctuations. White was again skeptical, yet he knew that any agreement could aid cooperation.

Regarding currency ratios, White thought that an agreed dollar-pound ratio would not only increase business confidence and recovery but motivate monetary cooperation, which could promote international flow of capital and goods. To achieve that, the two nations needed to agree on and maintain a ratio. White knew that this would be difficult due to mutual uncertainty regarding pricing, trading, debt settlements, and monetary policies. While the United States wanted to pursue an inflationary monetary policy, the United Kingdom wanted to keep prices stable. Likewise, while the United States wanted more free trade, the United Kingdom adopted imperial preference. If an informal understanding was established between each nation to fix their mutual exchange rate, neither would be obligated to maintain it. However, White knew that, with this precedent, the two countries could pursue deeper agreements in gold policy. With an agreed dollar-pound ratio, other countries could be invited to "join, or peg their currencies to either dollar or sterling."⁹² If so, the United States could maintain future autonomy while reaping the benefits of stable exchange rates. White thereby concludes his discussion on Plans A and B, as well as immediate monetary concerns with which the United States should deal.

Concluding Remarks

White, in his works co-authored with his Taussig, was in favor of supporting protectionist policies if need be, prioritizing the domestic sphere. In his PhD thesis, White argued that neoclassical theory should be reworked and that the orthodox gold standard's specie-flow

⁹¹ Ibid., 340.

⁹² Ibid., 343.

mechanism was not the sole means of adjustment. He argued for capital controls, paralleling Keynes.

In the *Selection of a Monetary Standard for the US*, White advocated for a system that could combine the gold standard and a national monetary standard, therefore eliminating their disadvantages. Retaining a role for gold, however, does not necessarily mean that White didn't take a Keynesian approach. Both Keynes and White envisioned a role for gold in their aforementioned works. What would mark their gold-related difference was their Bretton Woods proposals: Keynes's wanted one-way convertibility for gold, while White wanted no such scheme. In a fully Keynesian world, gold would gradually lose its power. While in White's conception, gold would continue to be the cornerstone for the global monetary regime.

The *Selection of a Monetary Standard for the US* is Keynesian, portraying White's desire for "embedded liberalism". An adverse balance of payments represented a country with a choice "between two evils": either keeping the exchange rate fixed and pursuing domestic deflation, or floating the exchange rate.⁹³ Echoing Keynes, White deemed that changing domestic price levels was worse than changing the exchange rate. White was aware of the painful deflation of 1929-1933 in the United States, and he wanted to avoid a similar fate. For White, domestic price stability was more important than external considerations. His proposal based on gold aimed to inspire confidence while allowing more room for sovereignty in economic policymaking. White also agreed with Keynes on the need to restrict international capital movements. Further echoing Keynes, White was aware of power dynamics and considered political constraints – the role of Congress – and suggested alternatives accordingly.

White concluded that a modified gold standard was the only way the United States could maintain fixed exchanges. What White proposed was essentially still a managed exchange standard, which he termed an "international gold standard." To project stability and confidence internationally, White believed that the dollar to gold exchange rate should be fixed. Nonetheless, he explored arrangements that needed to be made for flexibility. For example, he suggested that, in periods of no stress, the exchange rate should be fixed, but come stressful periods, it should be changed. The idea was that if the government could credibly commit to such a system in which it could flexibly alter the rates without abandoning the system fully, then the monetary system would function more efficiently compared to full floating – a free standard – or full fixing – like the orthodox gold standard. Further, under White's proposal, gold reserves would be used for international settlements only, eliminating gold backing for domestic transactions. For international payments, however, which constitute the more important kind of domestic transactions, the US dollar would still be backed by gold. The key difference in the gold standard under White's proposal was having a monetary authority: a four-person commission, plus the Secretary of the Treasury, separate from the Fed, which could slightly change the exchange rate and alter reserve ratios without completely going off the gold standard. He tried to create a gold standard that was more flexible compared to its orthodox variety. Keynes also believed that what he saw as key features in a monetary system — such as the prevalence of domestic concerns over the international, deficit spending, and prevention of scarcity of reserves from forcing contractionary monetary and fiscal policies — could be achieved under a "managed" gold standard.

Furthermore, importantly, White pointed out the need for Anglo-American consensus on monetary matters. This foreshadows White's intentions at Bretton Woods to get the British to agree with the White Plan while keeping US power dominant. White argued that many nations would

⁹³ Ibid., 308.

“fall in line” if only the United States and the United Kingdom could cooperate.⁹⁴ At Bretton Woods, for the global monetary system to function effectively, again the British opinion would be sought; however, the negotiations would be constructed in such a way that White’s ideas would overpower those of Keynes.

All in all, the *Selection of a Monetary Standard for the US* shows that White was very much aware of gold’s importance. However, White and Keynes also disagreed on other Keynesian points such as creditor versus debtor adjustment and international management of a reserve currency. Keynes argued for a greater responsibility for surplus countries to adjust, while White did not wish to impose such a duty on creditors. Keynes believed that there needed to be an internationally managed way to issue gold equivalents, while White did not. These points divided Keynes and White. Their disagreements impacted how the Bretton Woods regime was shaped. Bretton Woods indeed did not represent a fully Keynesian consensus marked by harmony, as Ikenberry and others argue. Neither was it solely a power play, as Gardner’s power-based narrative suggests. Rather, there was a clash of ideas. This changes not only our understanding of how the Bretton Woods outcome came to be, but also what is important when monetary systems get designed. Ideational dominance is crucial when it comes to negotiations.

The 450-page report White submitted to Professor Jacob Viner just three months after the task had been given shows that, years before the Bretton Woods negotiations, White’s opinions on what an ideal monetary system should constitute – at least for American needs – had already started to crystallize. In the *Selection of a Monetary Standard for the United States*, White emphasized the need for fixed yet somewhat flexible exchange rates, as well as international cooperation, and he argued for gold as the ultimate backing in the settlement of international transactions. This stance was not far from what White would go on to advocate at Bretton Woods: a system of fixed but adjustable exchange rates based on gold.

⁹⁴ Ibid., 341.

Chapter IV: White's 1939-1942 *The Future of Gold*, and the White Plan for Bretton Woods

Harry Dexter White's *The Future of Gold* is an unpublished work. It consists of four sections, and there is a preface-like introductory section to complement the preliminary draft. I start by looking at his preface writings and then move to the preliminary draft's four sections. He believed that for the US dollar to play a global role, it had to be backed by gold. As he argued in the *Selection of a Monetary Standard for the US*, White believed in the importance of the yellow metal. In *The Future of Gold*, White did not lay out his plan for a certain monetary system. Instead, with the same principles he espoused in *Selection of a Monetary Standard for the US* in mind, he provided a broader framework outlining gold's historical and continuing importance.

There were substantial agreements between Keynes and White. They both retained a role for gold, at least judging by their pre-Bretton Woods writings. However, their Bretton Woods plans set them apart regarding gold's future, as Keynes's advocated for one-way convertibility and White wanted to prevent such a scheme. There were also other crucial disagreements between them such as the international management of money supply and the creditor versus debtor adjustment — that is, the practicality of disciplining surplus countries which carried White away from the Keynesian umbrella. These points of disagreements proved to be consequential for how the Bretton Woods system was designed. This shows that a Keynesian ideational consensus (Ikenberry) or a power narrative (Gardner) does not fully explain the Bretton Woods outcome. The evidence that White was not fully operating under a Keynesian consensus shows that, at Bretton Woods, there was a clash in the realm of ideas as well.

White's *The Future of Gold*

In the preface, *The Future of Gold* begins with narrative of gold's long history, namely its ability to stay intact through time and across many civilizations:

Gold was probably the first metal discovered by man, and there can be little doubt as to the reason why. Silver, iron, copper are not isolated metals; they occur in ores which have to be smelted. Gold occurs alone. It lies as a shining dust mixed with sand in river beds, it appears in the form of nuggets that readily yield to the crudest mining methods. To primitive man gold, moreover, because of its color and glitter, had a special virtue that drew his attention, awakened his wonder, and stimulated his creative faculties. Filled as his head was with magic, gold was to him a likeness of the life-giving sun. As such it had the power to cure bodily disease, it had the virtue of giving its possessor long life. Probably long before he used gold for any other purpose, prehistoric man wore it as an amulet.¹

White's language in describing gold's attractiveness reads like an anthropological argument. Gold was very much embedded in how ancient societies functioned, not only regarding how they traded but also how they worshipped. Narratives and beliefs have always been and remain key to how markets function.

White's text highlights gold's attractive qualities and narrates how it came to be accepted as a medium of exchange, and ultimately became "the" medium of exchange from the fifth millennium BC. He points out that gold was "[f]ound in virtually all parts of the world, easily

¹ White Papers at the Seeley G. Mudd Manuscript Library, Princeton University. Box 1 Folder 9. Unpublished Study by White, 1939-1942. Dated as 8-4-42. Page 1.

detected, easily mined, easily shaped... [but] most important, though found in many places, it was scarce enough to be very valuable.”² Gold was versatile, ubiquitous, and suitable for a myriad of different types of uses. Durable and easily carried, it fulfilled all the roles one can expect from a currency for trade and savings. As mentioned in the previous monetary theory chapter (Chapter 3), in his 1943 scheme for Bretton Woods, Keynes would write that “gold still possesses great psychological value which is not being diminished by current events”.³ Keynes also recognized gold’s continuing significance.

Gold was linked to a desire for certainty. For 7000 years, it was the only means of exchange that remained secure. In practice, merchants, workers, and governments all eagerly accepted gold. Gold was sought after so much so that it caused wars and political and monarchical strife and motivated commercial policies. Spain and its colonial exploits in Latin America provides just one example, since Spanish monarchs sent people abroad to enslave and conquer populations in search of gold. Through this time, there were no complaints but one for gold: “there was not enough of it.”⁴

White presents silver as the only major monetary contender to gold. A wide range of commodities served as money throughout history, but only silver became gold’s rival. Continuing his historical analysis, White acknowledges that 70 centuries saw periods of such dire gold scarcity in some countries (including Greece, India, and China) that silver had to fulfill the major monetary role. Beyond that, during some other periods, other means of exchange prevailed over gold and silver. During the Dark Ages, silver and gold were both so scarce that copper prevailed. Later, during the time of the Roman Empire, in particular, iron coins circulated. Nevertheless, in most of the 7000-year period, gold and silver reigned supreme. This statement held true for even the last leg of the 18th century. Since bimetallism was prevalent throughout the United States, South America, Asia, and Europe, both gold and silver were extracted and their coins were circulated globally and exchanged at the value of their metallic content.

In the 19th century, this changed drastically due to a rapid increase in gold production; silver lost its status and people stopped circulating and exchanging silver. The 20th century recorded serious progress in monetary science, and by 1914, world gold output was “more than 30 times greater than in 1840.”⁵ In 1939, the outbreak of WWII caused gold to regain its footing as the global monetary standard. By 1940, “the increase was 41 million ounces, or sixty times greater – an increase of 6000 percent over the hundred-year period.”⁶ Once again being favored over silver and copper, gold became the quintessential medium of exchange. For the first time ever, the global economy had no need for silver. White’s survey of silver’s history hints at what he would go on to propose in his plan for Bretton Woods. White would envision no role for silver in the post-1944 global monetary order. At Bretton Woods, Mexico’s call for bimetallism was disregarded by many other delegations, highlighting the international support for gold.

This enormous increase in world gold output was complemented by gold’s increasingly effective use as money. Thanks to new developments, each ounce of gold produced was far more effective in increasing the global money supply. Like Keynes, White emphasized earmarking – changing the ownership tag. For one, with rapid and secure transportation, gold’s idle time was

² Ibid., 2.

³ Keynes, J. M. (1969 [1943]). “Keynes Plan: Proposals for an International Clearing Union.” In J. K. Horsefield (Ed.), *The International Monetary Fund 1945-1965: Twenty Years of International Monetary Cooperation* (Vol. 3). Washington, DC: International Monetary Fund, 19-36, 30.

⁴ Unpublished Study by White, 3.

⁵ Ibid., 4.

⁶ Ibid.

reduced. Long months of treacherous journeys were now done away with, meaning that gold was put to work more quickly after being ordered from one faraway place to another. In the 20th century, thanks to technological advancements, gold could be transferred instantly, since one could cable a title change and earmark gold anywhere. With a simple bookkeeping change and tag alteration at the vault room, gold would be transferred from one country to another. Therefore, “gold had acquired wings,” as White put it.⁷

A second, albeit more important reason for gold’s increased efficiency was the establishment of banks. With more stable governments and property rights, banking institutions came to the scene unobtrusively and gradually. In the 18th century, England’s merchants receiving precious metals began to entrust them to goldsmiths for safekeeping and taking a paper receipt in return. It took only a little time for the receipts themselves to begin substituting the role of gold when merchants passed the receipts among each other rather than going to goldsmiths to actually withdraw and transfer the metal. Handing paper receipts in lieu of gold itself initiated modern banking, as the enterprising goldsmiths with large gold balances realized that they could safely loan gold that they did not have to trustworthy merchants. This way, a given amount of gold could be much more productive. The practice spread quickly. Gold was put to use during the periods in which it had previously been sat idle. Despite periodic setbacks due to imprudent loan making, by the beginning of the 19th century, banking had grown so rapidly that bank deposits reached over billions of dollars in Europe alone. Furthermore, “bank” money circulated in addition to gold and silver.⁸ In one century, thanks to the growth of banking and credit, the effective money supply increased by “more than all the gold and silver produced in the previous six or seven thousand years.”⁹

Further advancements followed. Three developments were key to increasing the money supply: first, the introduction of “fractional metallic reserves against note issues”; second, putting fractional reserves behind deposits; and third, abandoning putting metallic reserves behind deposits or note issues.¹⁰ When the report, *The Future of Gold*, was being written, White estimated the global money supply of the world as approximately \$235 billions. Gold and silver only made up \$35 billion of this amount, while the rest was demand deposits and circulating currencies, which didn’t have intrinsic values. With fractional reserves, the money supply grew tremendously. Like Keynes, White emphasized the importance of adequate money supply.

All in all, the preface section of *The Future of Gold* provides a historical analysis of why gold trumped over other means of exchange. It further describes the genesis of modern banking and developments that increased the money supply. White underlined that all these advancements began with the trust and certainty that gold provided.

Section I

In the first section, by considering different scenarios, White explains at length why the United States would not get most of the gold in the world. And even if it did, he argued, it would not be a bad thing, as many people feared. He aimed to reassure domestic audiences that US accumulation of gold was not a problem. At the time, some feared that the United States might be left with gold that would soon become worthless if other countries on the gold standard switched

⁷ Ibid., 5.

⁸ Ibid., 7.

⁹ Ibid.

¹⁰ Ibid.

to another medium of exchange and stopped accepting gold. White tried to defuse this argument by saying that the United States was not likely to get all the gold, and that even if it did, the gold would not be worthless.

White observed that, with the outbreak of the WWII, the already chronic discussion on the future status of gold had intensified. Particularly, there was domestic concern about the large volumes of gold flowing into the United States. One argument was that the United States was receiving large amounts of gold because it paid the highest price in the world for gold; it already had 65% of the global supply, and if it accumulated all the gold, it would have no way to use it. What previously amounted to massive wealth would only be good “to fill teeth and fashion wedding rings.”¹¹ White’s inclusion of this concern shows that he was aware of the discussions worldwide about a future divorced from the gold standard. Increasingly, there was a movement away from gold. However, White thought that the demand for gold would never be trifling as people feared.

White thought that such concerns regarding gold needed to be addressed. The public wanted to know how much gold the United States was accumulating and why, whether this gold would be useful or valuable in the future, and whether they should stop importing or spend less on gold. These important questions, White points out in *The Future of Gold*, had already been considered by monetary policymakers. By emphasizing expert awareness, White sought to create credibility for his views. He put forward the idea that he was not alone, but rather that the gold policy of the United States had a base.

The first question that White tackled was whether the war would lead to the United States accumulating the world’s gold supply. He argues in the negative by listing the facts of the situation as follows. While \$29 billion worth of gold was held globally, the US held \$18 billions. Plus, White claimed (without reliable confirmation) that “some \$5 billion worth of gold [was] held in private hoards and jewelry.”¹² Furthering his outline of the gold situation, he concurred that, every year, newly mined gold constituted a large addition to the world monetary stock. For instance, the year prior, there were roughly 40 million ounces of newly mined gold, and in 1940, White expected the production to reach 43 million ounces. Sterling currencies’ recent depreciation with the war’s outbreak would further incentivize the global gold mining industry, since the British Empire made up over half of the global gold output each year. White predicted that the world’s production would increase, as nations at or on the brink of war would encourage domestic gold mining to support their war chests. Likewise, belligerent governments would toil to get private, hoarded gold into their treasuries. People would either have to cash or hand in their gold savings to public authorities, as came to be the case in Germany, Italy, and Japan. All in all, White predicted that the amount of gold in global monetary stocks would be worth \$32 billion by 1942 — much higher than the United States’s supply. White intended to show that, with world gold supply increasing, other countries would have a good amount of gold as well, and the United States would not be the sole holder of gold, as many feared.

The second question that White tackled was how much of the global gold supply the United States would accumulate in the next two years. The United States acquired its gold from mainly two sources: domestic mines and abroad. While domestic acquisitions were easy to forecast accurately, gold imports were harder to predict. White predicted that continental US gold production would be about \$150 million in 1940. As long as the United States’s balances of payments was favorable in the next two years — with payments owed to the United States exceeding

¹¹ White Papers at the Mudd Manuscript Library, Princeton University. Box 14 Folder 9. Section I.

¹² Ibid.

payments that the United States owed to other countries – none of the domestically mined gold would leave the country. As only a small portion of the newly mined gold went into artistic or industrial uses, this gold would almost all be added to the US Treasury. Domestic production, however, was only a small part of the total, and it would amount to \$300 million over the following two years.

In contrast to domestic sources, gold imports to the United States in the next year or two could not be precisely forecasted. Gold was international money and was imported into the United States as a medium of exchange rather than a commodity. It came to the United States to settle its own favorable balance of payments. White explains that “as much gold will come to the United States as is not needed to cover the net balance in our favor of all payments for imports and exports, tourist expenditures, shipping, and other services, income from securities and other investments, as well as international transfers of bank balances, and purchases and sales of American securities.”¹³ Though an exact forecast for the net balance of all transactions was impossible, he predicted that the United States would not accumulate \$3 billion worth of gold as it did in 1939.

White also predicted that, while recording capital inflows had contributed to significant gold imports in previous years, the war would cause these inflows to turn into outflows. White lists reasons for this anticipated decline: (a) belligerents’ possible willingness to impose strict exchange controls to prevent private capital export and conserve foreign exchange resources; (b) belligerents’ possible willingness to sell American securities of their nationals to obtain dollars; (c) belligerents’ possible willingness to prevent their nationals from obtaining more dollar deposits, or to take over and use part of their nationals’ already-held balances; (d) a decline in the private funds flow to the United States from neutral countries; and (e) more US capital outflow to Canada and Latin America which may not be offset by investments in return. These five considerations altogether suggested a decrease in capital inflow to the United States compared to prior years.

Another important item in US international accounts was trade, which White considered “the most important”.¹⁴ In 1938, US exports had surpassed its imports by \$900 million. At the outbreak of war, White predicted that this favorable trade balance would continue, though it would be checked by the war-caused necessity of conserving foreign-exchange resources, leading to import restrictions. For instance, the United Kingdom and France tried to buy all of their empires’ imports. Furthermore, the United States would face obstacles in selling to neutral countries in war-affected areas, partly because belligerents worked to block trade in neutral countries to guarantee necessary imports for themselves or to create difficulties for the enemy. Though checked by the aforementioned trends, White predicted that the United States’s favorable trade balance of \$3–\$4 billion would continue.

White believed that the reduced net inflow and increased export balance between 1940 and 1942 would lead to cause decreased gold inflows. However, the course of war would decide how much less that gold inflow would be. If there was only restricted warfare and fighting grew more localized, the United States’s favorable trade balance would only see a smaller increase. Likewise, a smaller amount of flight currency would flow to the United States. In the opposite scenario, if fighting became more intense and extended to several fronts, more US war materials would be purchased and more unstable currencies would flow into the United States.

Despite the threats that White outlined regarding a reduced net inflow of capital to the United States, he also considered a different possibility: that foreign governments and central banks would be swayed by misunderstandings and fears about gold’s future and convert their gold

¹³ Ibid.

¹⁴ Ibid.

into dollars, which the United States would keep until the war ended. If the dollar was to be seen as a safe haven, then the United States would actually get a much larger gold inflow compared to last year. White saw this as possible but not highly likely.

Having listed all the aforementioned reasons, White thought it unrealistic that the United States would accumulate all the gold in the world. Even a huge inflow of \$6 billion or more of gold would not result in outright accumulation. Nevertheless, despite White's effort to downplay how much gold the United States would have relative to other countries, the ratios that he predicted — three-fourths or two-thirds of the global supply — were still very high for one country to cover singlehandedly. Either proportion would mean US gold dominance. White furthered his argument by emphasizing the position of other major gold-holding countries. In the course of war, the gold holdings of France and of the British Empire would be reduced, despite the latter's annual production of \$800 million or more. Nonetheless, White argued that countries other than the United States — more specifically, some neutral countries — would also gain gold; while some neutral countries' foreign trade would suffer, reducing their gold holdings in the process, other neutral countries' exports would increase. Such neutral countries, wishing to solidify their war chests, would use part of the proceeds from additional exports to accumulate gold.

Concerns that the United States would accumulate all the gold in the world, from White's point of view, need not have warranted much attention. He viewed these fears as based in fantasy. US gold holdings would of course increase relative to the rest of the world, and he predicted that the proportion could rise to 75% by 1942, which is high and would have trumped the holdings of other countries. However, he downplayed this prediction, citing other reasons why the United States would not have all the gold. For example, he considered that post-war reconstruction would use up gold that warring countries had put aside for military activities. However, White's prediction did not take into account that other countries would be completely devoid of their gold holdings by the end of the war. WWII proved devastating to many European countries, so much that they had to rely on the IMF and could reach convertibility only after many years. In accordance with his thinking, White eventually proposed much smaller drawing rights in response to Keynes's push for extensive financing to solve the balance of payments problem.

Having tried to establish that the United States would not get all the gold in the world no matter what, White then makes a digression. He acknowledges that getting the gold would indeed be good for the United States because it would increase national wealth and purchasing power. While White would have preferred peace and economic normality, which would mean that the flow of trade, capital, and services could resume without war-caused obstruction, he knew that receiving gold due to foreign countries' increased need for spending was better for the United States than not receiving gold.¹⁵ Even much larger gold inflows would be a cause for celebration, as the United States would not experience a loss during the war as it would if gold inflows ceased. He hence argued that the greater concern than large gold inflows was the global situation causing increased gold movements.

White also gave the following reasons for why the United States would not acquire all the gold in the world during the war. First, neutral countries would acquire and keep some of the gold spent by the belligerents and exported from countries with detrimental payment balances. Second,

¹⁵ White views "large and persistent gold movements to [the US]... [as] both a symptom and a consequence of the disturbed world situation." Gold losses put several foreign countries in a difficult situation. Nonetheless, those difficulties would have been much more severe had these countries "not possessed the gold... to meet their adverse balance of payments arising from the economic and political situation of the past few years." If they had not possessed gold, "they would have been forced to resort to restrictive measures far costlier to them than the loss of gold." Ibid.

and more importantly, belligerents would not exhaust the entirety of their gold holdings. With their gold holdings diminishing, they would grow reluctant to tap the remainder, since, as White reminds his readers, gold remained trusted and easily convertible and therefore was vital under difficult conditions. Belligerents would work to preserve a substantial amount of gold, not only for emergencies but also for post-war support to their national currencies, as it would help them to maintain financial status and protect them against uncertainties.

Third, due to further drains on gold, White believed that France and the British Empire would resort to their foreign exchange resources, which apart from gold held at least \$8 billion in liquid value. White predicted that as countries' foreign exchange and gold reserves diminished, they would place measures to cut their gold exports to the equivalent of their current gold production. He hence reasoned that US gold inflow would not continue at such a rate after the war, or that belligerents' gold would flow into the United States if the war lasted longer than two years. White hence again downplayed US gold dominance, suggesting that other countries would have a good amount of gold holdings by the time peace returned, unless the war "draft[ed] the whole world into complete chaos", which would make gold irrelevant.¹⁶ Belligerents and other nations would make sure to hold onto their remaining gold reserves if worse came to worst. In retrospect, we can speculate that White foresaw post-WWII payment balance problems and predicted that the United States, after Bretton Woods, would have to fund Europe so that the continent could buy American goods again. We can also infer that one reason why White did not plan to allocate as much funding to Europe as Keynes did in his plan was because White thought that France and England would hold tightly onto their gold, so they would not be at ground zero in terms of gold reserves. White would hence have seen no need for a major funds transfer from the United States to Europe. Down the road, that gap would have to be corrected by the Marshall Plan.

Fourth and lastly, White turns to the post-war reconstruction period, refuting an argument that came up again later at Bretton Woods regarding reconstruction needs. He thought that credit would flow, reinforcing his point that there was little need for major American fund transfers to Europe. After looking at WWI data regarding gold holdings of belligerents' and neutrals' central banks and treasuries, White concluded that the evidence did not support the idea that reconstruction would strip belligerents of their gold. He argued that countries would have some amount of gold, and hence the United States would not have all the gold in the world. Nevertheless, White's prediction was to be proven wrong as at the end of WWII: the United States did end up with almost all the gold in the world and hence was able to dictate the terms for Bretton Woods institutions.

The aftermath of the war and the reestablishment of peace also brought the freer flow of credit. War-torn countries would likewise begin to ramp up their gold holdings. White was well aware that there would come a time when the United States would have an unfavorable balance of payments, but he could not predict whether this would happen sooner or later. Regardless, his certainty about an unfavorable balance was as sure as his hope for global economic stability. White was convinced that US dominance would erode over time, despite the fact that it had had a favorable balance for more than two decades. In retrospect, Bretton Woods proved an effort to prolong US dominance as much as possible. Going into Bretton Woods, the United States had the political and economic upper hand, and by setting the rules of the game, US hegemony post-WWII could be projected into the future.

All in all, in Section I, White argues that the United States, under no circumstance, would have almost all the gold in the world and downplays the dominance of American gold holdings. Even if the United States had all the gold in the world, it would not be a bad outcome, since White

¹⁶ Ibid.

saw it as better to have more gold than less gold. Gold provided a safety net — a certainty against possible unfavorable balances of payments in the future.

Section II

White begins Section II by asking what the role of gold would be after the war, whether there would be a substitute for gold, what value gold would still have, and whether buying gold was making the United States an “all-time sucker”.¹⁷ He first acknowledges the intellectual context of the times. The world was moving away from gold, and gold was no longer the most important part of the monetary system. White recognized that transactions could now be made without gold. Experts had long known this, but the public were starting to see it, too. White observed that the past decade had seen nations abandoning gold’s many monetary uses. Further, countries of all economic strengths were trading internationally without gold holdings. As was to be evidenced by Dr Walther Funk’s vision for post-war German and, more broadly, European monetary system, Germany was also rumored to be preparing to abandon gold. The press, meanwhile, was reporting these international changes with interest and fueling rumors. Such events were widely signaling the decreasing importance of gold, where before, only subtle changes were raising the alarm for experts.

Nevertheless, White rejected concerns related to gold. For him, those who thought that every country would abandon gold entirely had simply erroneously “confuse[d] indispensability with usefulness.”¹⁸ The significant question, therefore, was whether the cost of abandoning gold would actually be worth it. White dismissed those who rejected gold’s essentialness, arguing that while gold remained the best monetary tool, it would remain in use until the day that a better tool arrived. His most pressing question, then, was whether gold was actually the most superior tool — and he thought that it was.

In the midst of this section, White placed six pages of typed paper notes dated March 8 1942 on which he first classifies the uses of gold. He draws a distinction between “1) the general monetary uses of gold; and 2) the domestic monetary uses of gold; and 3) the international monetary uses of gold.”¹⁹ The general uses comprise gold as a measure, standard, and store of value. Domestic uses comprise gold as a medium of exchange, a backing for other forms of currency, and as a banking reserve. International uses comprise gold as an internationally-accepted payment method and a method to establish exchange rates. White acknowledged that some of these uses were declining. Nonetheless, underlining gold’s distinctiveness, White could not name a substitute.

Having shared his notes to be inserted, White returned to his main question regarding whether gold was the most superior tool and worth its disadvantages, which he struggled to answer in purely domestic terms. Monetary experts no longer held a unanimous opinion on gold’s usefulness for domestic purposes. Recent decades had seen monetary habits, monetary systems, monetary theories, and monetary policymaking techniques change. Some domestic uses of gold had been done away with or diminished. Its most important domestic function, “constituting a specie base for note issue and deposits”, was becoming outdated.²⁰ Around the globe, gold’s hand-to-hand circulation as medium of exchange — as coins or gold certificates — was simply ceasing.

¹⁷ Ibid., Section II.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

More importantly, gold served as backing for paper currency. Historically, under the gold standard, paper currency had been freely converted into gold coin or gold bullion at a rate fixed by law. Governments had required their treasuries or central banks to be able to provide gold at a fixed exchange rate for paper currency. This free convertibility was an inherent characteristic of the orthodox gold standard. It had been regarded as a requirement for a sound monetary system and was still so regarded by many people. However, the practice had lost its momentum, and White acknowledged that no currencies were still freely convertible into gold. At that time, the United States was practically the only remaining country that allowed fixed-price gold purchasing. Even then, this was only possible when gold was being exported under special conditions. The classical gold standard relied on a domestic role for gold as a mechanism to promote price changes to balance out international trade. As White was entirely aware, not even the United States was operating under the classical gold standard at the time he was writing. Accordingly, he did not advocate movement towards it. In line with Keynes, White was against the classical gold standard, but his refusal of the classical gold standard did not mean that White was altogether against gold. He espoused a gold exchange standard whereby gold's domestic role would be limited.

For White, gold's international significance trumped all other aspects. There were fears for gold's future if it depended on being used as a coin, beyond convertible into currency, or being the basis for credit or note issues. Gold's importance as a metal did not depend on its domestic use but its use as an international medium of exchange, superior to any other medium. According to White, that was because it was the most reliable medium that could be used at any time, in any quantity, for anything. Otherwise, he argued, countries would have to accept each other's foreign currencies and attempt to exchange them in an unstable and restricted market. That would mean that if a country could not correct an adverse balance with gold, their exporters would experience a loss and demand payment in gold or their own currency next time, or in a more stable currency. Since such a currency couldn't exist without gold backing, White concluded that gold remained the final arbiter of value.

In a different draft, White added that exchange would become much more risky (and trade more costly) if gold could not be used as a means of payment. White was aware that in a world devoid of gold, there would still be risk-taking merchants and businessmen. Yet, on balance, he believed that fewer risks meant a higher volume of world trade. More parties would feel comfortable engaging with international commerce because gold would help to eliminate exchange risks. White therefore believed that exporters and international creditors embraced the security that gold provided as it gave them a reliable sense of the value of payments due to them.

White believed that gold would continue to be key in the future. He observed that some people thought that, after the war, gold would be replaced with some universal paper currency. However, in his eyes, this belief was based on fallacies, "illusory grounds," and a lack of understanding.²¹ In *The Future of Gold*, he therefore explains how gold functioned as a medium of international exchange. That is, countries must balance their international accounts or borrow or lend to take part in international trade and exchanges. White observed that gold allowed countries to borrow; without gold, maintaining an international account balance was essential. Therefore, countries needed gold to buy imports and get loans to settle adverse balances.

White thought that a country could balance its international accounts without borrowing or lending in four ways: (a) equating demand and supply of foreign exchange through foreign exchange or import controls; (b) balancing demand and supply of foreign exchange by freely fluctuating exchange rates; (c) trading only by bartering; and (d) lifting trade restrictions (bar tariff

²¹ Ibid.

schedules) and settling payment balances with gold. No other methods were thought possible, but these methods were not mutually exclusive in that a country could pursue several at the same time, and White observed that most countries did combine them. Additionally, sometimes balance was achieved through a free-floating (or only occasionally moving) foreign exchange. Regardless, each measure was always supplemented by gold. Countries only resorted to bartering, export subsidies, clearing agreements, adjustment of tariff schedules, and alteration of currency values vis-à-vis foreign currencies if the more efficient instruments of gold and foreign credit were not sufficiently available to them.

White saw that, due to the widespread nature of each of these methods, more and more people were becoming skeptical of gold's future and its use in international transactions. They thought that, with time, more countries would simply use those methods and render gold redundant. This, people feared, would mean that other countries would send their gold to the United States to pay for US goods, resulting in the United States simply holding the metal while other countries had goods. White thought, however, that this overlooked some important details, which will be discussed in the next section.

White's support for gold later became evident in the White Plan. On an additional page meant to be inserted in Section II, White wrote that a country can be said to be operating on the gold standard if these three conditions are fulfilled: "1) Gold can be freely bought from the government and freely sold to the government at a statutory fixed price; 2) Gold can be freely imported and exported by private banks or individuals; 3) Currency of the country can be freely redeemed into gold coins of equal monetary value, and vice versa."²² By this conception, what White was to offer for the Bretton Woods institutions was not a far stretch.

Section III – Part I

This section of *The Future of Gold* tackles the question of whether eliminating gold would cause trade to function more or less effectively. White provides an analogy for gold: just as electricity is useful because it can create light, power, and heat effectively and cheaply, even though those things can be produced in other ways, so too was gold, which made trade and finance possible. White was convinced about gold's future and did not see any other medium of international exchange that could be used so conveniently. To White, "gold is the best medium of internal exchange yet devised."²³

If it possessed substantial gold reserves, a country could have an easier time warding off imbalances, White believed, since it could maintain greater outpayments than inpayments without foreign borrowing, diminishing imports, subsidizing exports, or diminishing its currency."²⁴ Adequate gold holdings therefore partially protected domestic economies from international economic instability. For White, gold was not only the best medium of international exchange but also the best way to store purchasing power. Gold protected its value over time since it was more stable than any currency. Furthermore, given the war, gold's purchasing power was likely to increase, while currencies' were likely to decrease. Gold was reliable since every country would accept gold in exchange for goods or services or debt settlement in an attempt to accumulate their

²² Ibid.

²³ Ibid., Section III. Part 1.

²⁴ Ibid.

holdings. This was true of no other commodity or currency unless it could be exchanged at par for gold.²⁵

Section III – Part II

Gold's acceptability hence remained intact and accepted as international payment. White also maintained that many countries were invested in the value of gold and would want to maintain the system. The British Empire, for example, produced most of the global gold supply, which not only provided revenue but contributed to the London Stock Exchange, which was substantially made up of British gold-mining companies. White hence believed that Britain would always accept gold as payment or to settle debt.²⁶ Likewise, other major gold-producing countries would not want to see gold's role as a means of exchange diminished. In parallel, gold-holding countries had similar interests in maintaining the system. Simply put, no country would want to diminish gold's value. In a future world in which gold lost its pre-eminence, many countries, White thought, would be worse off.

Gold's purchasing power also remained intact. In fact, White pointed out, several governments were demonstrating their faith in its purchasing power by exchanging gold payment for political allegiance. He claimed that this was because gold, as mentioned above, could be spent anywhere, at any time, on anything, which could not be said of any other monetary instruments. He further predicted that gold's value would actually increase in the coming years. Post-war peace could only amplify gold's prestige, as with peace would come the desire to "relax import quotas and exchange controls, to reduce barter transactions and clearing agreements, and also to maintain stable exchanges."²⁷ Gold would be the necessary instrument for these processes as it would allow nations to settle international balances. Further, countries when presented the opportunity wished to increase their gold reserves swiftly, as was evidenced by the recent gold purchases of Brazil, Argentina, and others. White believed that any government would choose gold over goods.

Gold's international stance also remained intact. Gold was much more valuable as a medium of international payment compared to its domestic use. In its domestic reserves role, its use was based on psychology, history, tradition, and lack of economic understanding. However, as a medium of international payment, White thought that gold was logical and effective, and governments agreed. Furthermore, it had been demonstrated many times that holding large gold reserves allowed a country to trade and engage in financing much better than a country without much gold in reserve. Gold hence remained the cornerstone of international transactions. Countries could "streamline international transactions..., introduce foreign balances in place of gold holdings, earmark gold abroad instead of keeping it at home, extend trading arrangements on a bilateral basis, develop banking facilities ..., [and] build up portfolios of foreign securities when necessary" – but all of these things required gold.²⁸

White believed that currencies should be linked to gold and that fiat currencies could not instill the required confidence for international trade and finance. He noted that several countries

²⁵ In a different draft, following this sentence, White writes: "This will continue to be true unless and until important countries refuse to accept gold in settlement of balances due them." Unpublished Study by White.

²⁶ In a different draft, after this sentence White writes: "So long as the United States and the British Empire accept gold, all other countries will do so, because gold will then have international purchasing power over virtually any other commodity. There is very little that could not be purchased in either the British Empire or the United States." Ibid.

²⁷ Ibid., Box 14 Folder 9. Section III. Part 2.

²⁸ Ibid.

kept dollars in reserve only because they knew that dollars could be converted into gold.²⁹ Overall, a large amount of gold in proportion to a country's economic instilled the confidence of other countries in its currency. In this vein, White saw that one of the most important factors in US hard and soft power was the public confidence in US gold reserves. For the international monetary system to work, there needed to be a solid guarantee in the form of something tangible — a hard metal rather than simple paper.

Regarding what circumstances could challenge the viability of gold, White presented five main scenarios. One was a supergovernment which could “establish monetary policies and principles”, meaning that they could replace gold as a medium of exchange, even though this would be expensive.³⁰ The second option was closely linked to the idea of a supergovernment. White envisioned an international institution for monetary cooperation. However, he remained skeptical of international management of the reserve currency. Cooperation at such an intricate level, he thought, could not be easily achieved. This was an argument that he would carry to his plan for Bretton Woods. Gold could lose its superiority when intergovernmental institutions, like the League of Nations, superseded national ones and decided monetary policies.³¹ White argued that to challenge gold, an institution needed to have the power to dictate what other countries did, which would infringe on their sovereignty. It was difficult to achieve sufficient trust between governments for close cooperation. At the end of the day, countries have militaries because of the difficulties of cooperation. The Bretton Woods institutions would be far from an extensive agreement by which gold could be fully done away with. Further, White saw no evidence that countries would surrender sovereignty over their own currencies. In White's conception, it was inescapable that gold would continue to reign supreme. Until a sort of monetary League of Nations that would dictate monetary, credit, and trade policy arrived, governments would seek gold to protect their economies, balance payments, gain purchasing power, and if need be, prepare for war.

The third possible option that could have challenged gold's viability was full-blown totalitarian rule, meaning that countries could barter for their imports and exports and there would be no unsettled balances. I digress here to include a passage from a previous draft, which did not make it to White's final version. Again pointing to totalitarianism, White wrote, “should there emerge from the present struggle a world politically controlled by one or two totalitarian powers [such as Germany or Russia], gold would become a monetary museum piece.”³² It would lead to only one currency being used across the world. In that case, no country would be able to “create”

²⁹ In a different draft, White further writes: “If we had no gold, or if our gold holdings were very low, foreign countries would not keep any portion of their reserves in dollars but would reduce their dollar balances to the barest minimum essential to the day-to-day transactions. We do not find governments keeping large balances in countries that have little or no gold for the obvious reason that were they to do so they would not have any assurance that they could get their funds back when wanted, or be able to use them how they please. Nor would they have a sufficient degree of assurance that the funds that they did get back even if they could get them back at will would yield at least as much of their own currency as they did when placed abroad.” Unpublished Study by White.

³⁰ Box 14, Folder 9. Section III. Part 2.

³¹ In a different draft, White writes: “So long as there are national boundaries, national policies and national interests, there will be national monetary systems and national sovereignty over those national systems. Those national monetary boundaries will disappear only when one country conquers and subjugates the rest of the world, or when all countries will divest themselves of sovereign power in favor of some one international parliament, group or Congress, a sort of monetary League of Nations which actually controls world monetary policy.” Unpublished Study by White.

³² Ibid., Box 14, Folder 9. Section III. Part 2.

money.³³ As such, international exchange would become obsolete, and gold with an “international status” would be unnecessary.³⁴

The fourth option was one of intense cooperation through building deposits in each other’s currency. Nevertheless, though some believed that the recent Anglo-French monetary arrangement could be extended to other countries post-war, White saw no future in it. This arrangement was based on balances being settled in each other’s own domestic currency, and the exchange rate had been pre-settled and fixed. This meant that the United Kingdom and France did not have to exchange gold as long as their balances were settled. Realistically, White did not see how this arrangement could continue after the war. At that point, the two countries were fighting a common economy, having grouped their militaries, too. White foresaw that a lack of common enemy would break down this monetary cooperation. Furthermore, Anglo-French cooperation was bilateral. Expanding it to many others would be a difficult task, especially if relations between some countries were less amicable. White did not think that enough countries would enter such an arrangement to replace gold. That level of trust simply did not exist. Again, White was skeptical of international management of a reserve currency.

The fifth option again would require full-fledged international cooperation, but through fixing exchange rates. White acknowledged that if all or even some key countries did this, gold would become unnecessary. This arrangement proved to be similar to the outcome of the Bretton Woods agreements. At this point, though, White simply predicted that fixing exchange rates may happen one day, but there were many things to think through.

First, for example, historical and contemporary events had shown that countries would rather resort to competitive devaluations than give up sovereignty over their currencies. White believed that it would take years for anyone to choose to have foreign currency reserves over gold. As outlined above, White remained skeptical of the idea that international coordination could provide alternatives to ample gold reserves.

Second, White argued that, even though gold was costly to produce or obtain, nations had already paid to produce or obtain their gold. They would therefore be reluctant to replace gold as a medium of international exchange and could risk losing a lot of reserve value in the process. Gold would only end up being of industrial value if its monetary value were lost — and gold’s industrial value was small.

Third, White saw that countries chose to use gold to settle international balances over foreign currency. They were not compelled to do so, but gold was so widely accepted that it was more desirable. With foreign fiat currencies, there was simply more uncertainty regarding their future value. Overall, if a certain currency began to replace gold, it would be as expensive to accumulate that currency as it would to accumulate gold. Hence, accumulating foreign currency instead of gold would not save anyone any money.

Further, gold as money could be used more efficiently. Via earmarking gold more extensively, inter-country physical transfers of gold which incurred shipment costs could be reduced. White predicted that this practice would grow as the status of earmarked gold became global and post-war peace began. In parallel, he thought that stabilization funds should be used increasingly to provide short-term foreign exchange in the case of large foreign balances or government overdrafts. Hence, with time, gold would be used less and less for domestic functions and would become more prominent when it came to settling international balances.

³³ Ibid.

³⁴ Ibid.

Fourth, White pointed out that taking away gold's purchasing power would not only cause gold-holding countries to lose purchasing power, but also the numerous gold-producing countries. These countries produced "over a billion dollars of gold a year" and would not want this huge income source to be jeopardized.³⁵ Fifth, though to some it may have seemed that countries who didn't hold or produce gold would benefit from its demise, White did not agree. Overall, he thought that the only positive that would come from substituting gold would be that countries wouldn't always have to trade with gold-holding or gold-producing countries to obtain gold. Nonetheless, he didn't see further benefits (or possible solutions) to demonetizing gold. Sixth, White saw that countries chose to take gold as payment for goods and services because gold was seen as "a gain."³⁶ Though the United States could have stopped selling goods in return for gold, it had not, precisely because it would have caused serious economic problems.

Having outlined the six reasons for why a monetary system divorced from gold was far from reality, White went back once again to emphasize the metal's importance. Gold was prized so much that governments exerted high effort on preventing losses and less effort on preventing overflow. Though at Bretton Woods, White came to agree that surplus nations should also balance, at heart he knew that surplus nations would not adjust. The rebalancing scheme that White proposed at Bretton Woods was in line with US interests and emphasized debtor adjustment. White's questioning of the practicality of disciplining surplus countries can be traced back to *The Future of Gold*. White's insistence on debtor adjustment put him in direct conflict with Keynes.

White observed that, globally, people trusted gold and saw it as prestigious, which still gave it value and led countries to want to accumulate it, even if they didn't plan to spend it. He viewed this perspective as "real even though psychological."³⁷ The United States's large gold holdings undoubtedly contributed to the global confidence in the US dollar.

Though many thought it impossible for the United States to develop a balance of payments deficit because it was a creditor nation, White begged to differ. In fact, he knew that a creditor was as likely to have an unfavorable balance as a debtor, citing the United Kingdom as an example. He predicted that post-war peace would likely decrease the gold inflow into the United States, and could even potentially reverse it, leading to an outflow. Realistically, though, he knew that it was impossible to predict which nations would be the most prosperous and by how much in the coming years. For White, it made sense for the United States to accumulate as much gold as possible to prepare for rainy days.

Section IV

For White, gold provided value in terms of real goods and real services. In fact, besides the trust that businesspeople had in holding and spending gold, he saw concrete benefits of gold maintaining its international purchasing power. Not only did large gold holdings strengthen the US monetary system and to help promote higher levels of business activity, but also the gold the United States had and would have could be used for purposes such as: purchasing foreign securities and foreign-held American securities, returning deposited foreign funds, paying tourist expenditures, buying imports, and preparing for war. To sum up, gold was the most effective method for preparing for war and was as yet the best way to accumulate purchasing power. It could act as an effective cushion to soften international shocks affecting domestic economic activity. On White's

³⁵ Ibid.

³⁶ Ibid.

³⁷ Ibid.

part, people who thought that gold was impractical and ineffectual were misinformed about business and monetary matters.

The White Plan for Bretton Woods

When it came to the Bretton Woods negotiations, as mentioned in the Introduction and Chapter 2, Morgenthau said: “I want it in one brain, and I want it in Harry Dexter White’s brain.”³⁸ White responded extremely quickly to Morgenthau’s request for him to pen a global monetary plan, which suggests that he already had a plan. Indeed, White had been thinking about monetary systems for a long time, as exemplified by the *Selection of a Monetary Standard for the US* and *The Future of Gold*. WWII opened an opportunity to render the global monetary system anew. White’s ideas at this crucial juncture would be institutionalized at Bretton Woods.

White’s first version of the plan was “a mimeographed draft dated April 1942.”³⁹ The report begins with White announcing his intention to “plan for an International Stabilization fund and an International Unit of Currency.”⁴⁰ White envisioned a fund and a bank. While the fund would make exchange rates and monetary systems stronger and more stable, the Bank would contribute capital to reconstruction. White wanted the Fund to hold or facilitate the exchange of gold, currencies, foreign exchange, bills, government securities, and balances. Paralleling his observation in *The Future of Gold* that “gold had acquired wings,” White wished to see earmarking become even more efficient.⁴¹ He thought that earmarked gold could be deposited in the Fund, meaning that physical transfers would be less necessary. Further, he suggested giving earmarked gold a “special status” to encourage countries to earmark and immediately gain gold in their reserves.⁴² Greater earmarking would bring about further efficiencies.

White deemed that the value of the Fund’s total holdings should remain unchanged in terms of its gold value. Therefore, a change in the gold value of a member currency would not change the Fund’s total currency holdings. White then tackled the discussions for a new international currency. For White, a new international currency’s usefulness would be limited. He thought it “absurd” that some people believed that an international currency would solve all problems with foreign exchange.⁴³ He cites the example of Canada adopting a dollar with the same gold content as the US dollar and Australia, South Africa, and New Zealand fixing their currencies to sterling, which did not solve their respective foreign exchange problems. Such a belief overlooked the complex forces that created a relative value between currencies — forces that would remain with a new international currency. In effect, even if everyone adopted one currency, the exchange rates would eventually diverge from an equal ratio.

White also refuted another view: that a currency used only for trade (which would require government subsidies to which the United States was generally opposed) would lead to significant benefits. White disagreed on the grounds that trade didn’t suffer from different currencies but from unstable exchange rates and insufficient foreign exchange, neither of which would be solved by an international currency. The Fund and the Bank proposals did not depend on such a currency.

³⁸ Diaries of Henry Morgenthau Jr., Franklin D. Roosevelt Library, Hyde Park, New York. Volume 470, 82-83.

³⁹ White, H. D. (1969 [1942]). “Preliminary Draft Proposal for a United Nations Stabilization Fund and a Bank for Reconstruction and Development of the United and Associated Nations”. In Horsefield (Ed.), *The International Monetary Fund 1945-1965*, 37-82, 37.

⁴⁰ Ibid.

⁴¹ Unpublished Study by White, 5.

⁴² White, “Preliminary Draft”, 48.

⁴³ Ibid., 78.

Gold already covered the roles needed, according to White. It carried a uniform value internationally. As such, it could be used to liquidate debt, and there would be no further benefit to using an international unit of currency. The problems with gold were only temporary due to the war. In effect, when peace resumed, so would the simplicity of using gold, or a currency pegged to gold, as a medium of exchange.

Some claimed that gold was too expensive. White, on the other hand, claimed that the price difference with a cheaper yet suitable option would be negligible. He also stressed that held gold had “*already been paid for*.”⁴⁴ This argument echoed those already made in *The Future of Gold*. In fact, he argued that earmarking was even reducing the cost of shipping gold. As for the new additions to the gold stock, undeniably, it cost money to mine and refine gold. However, White suggested a simple solution: limiting or controlling newly-mined gold. All in all, therefore, he saw no cost benefit to substituting gold for something else. In essence, White then argued along similar lines to Keynes by suggesting “[b]ank note-issuing powers – based on some gold reserve” to put the global gold stock to better and more equitable use.⁴⁵

For White, a common currency, such as a new international currency, would only be useful if parties let go of their sovereignty over monetary decisions and lent it either to one nation or to an external organization. Therefore, White thought that a common currency would be fruitless unless countries agreed not to control their own monetary policies such as exchange and rediscount rates and note issues. In line with *The Future of Gold*, White remained skeptical of international management of a reserve currency. This skepticism carried through to his proposals for Bretton Woods and set him further away from the Keynesian umbrella. Where Keynes believed in international management through *bancor*, White simply did not. White also refuted the idea that a new currency could “*supplement*” domestic currencies to facilitate international trade and finance.⁴⁶ He states unequivocally that this “would no more help foreign trade than would the adoption of a new flag.”⁴⁷ Currency conversions, in his view, needed to be done, and gold was already helping to settle international transactions.

Altogether, White asserted that the Bank would need note issuing power for a new currency to have any purpose, and that they would need a new unit for these notes. This was because he predicted that countries would oppose using an existing currency such as dollars or sterling since they would perceive an advantage for the country from where the currency originated. White was aware of the power dynamics (or perceived power dynamics) that could arise in this case, which reinforced his argument that a new unit would be needed.

He therefore aimed to define this new unit, which would have to be fixed in some way. Fixing it to an existing currency would raise the “*favoritism*” problems and make the currency vulnerable to that currency’s fluctuations.⁴⁸ Perhaps this is why the official link between dollar and gold was left to be enacted at the Bretton Woods conference. He hence proposed that a new unit should be fixed in terms of gold. Though he would write so in the original plan for Bretton Woods, later on, at the conference, the gold-dollar link was enshrined as dollars came to be considered as good as gold. In effect, all the possibilities led White to convey that fixing a new currency to gold was the only viable solution.

⁴⁴ Ibid., 79.

⁴⁵ Ibid.

⁴⁶ Ibid., 80.

⁴⁷ Ibid.

⁴⁸ Ibid., 82.

After seeing the first version of the White Plan, Keynes criticized White's fund proposal. He argued that it did not use "the banking principle and one-way gold convertibility" and essentially just outlined another version of the gold standard, aiming to increase the volume of the gold base.⁴⁹ In Keynes's eyes, for those countries with little gold, White's scheme would not offer much.

White's plan saw multiple iterations. For instance, he circulated the draft dated 10 July 1943 discussing the Stabilisation Fund to Congress. Furthermore, he had agreed with the British to increase Fund resources and introduce greater flexibility for exchange rate adjustment in June 1943, but he cancelled these agreements and increased the gold element in the subscription to 25–50% without consensus. On 17, 24 and 28 September, Keynes argued that this number should be 12.5% and that the United Kingdom would struggle to accept White's proposed numbers. This increase in the gold subscription post-Congress shows that ideas were not operating in a vacuum. Interests at Congress, be it banking groups and others, were also shaping the outcome.

Though, the US Treasury issued the final White Plan in print on July 10, 1943, post discussions with about 30 countries, the initial draft had been revised. The monetary unit of the Fund would be unitas, "equivalent in value to 137 ¹/₇ grains of fine gold (equivalent to \$10)."⁵⁰ Fund accounts would be kept in unitas. Further, each member currency would be evaluated in terms of unitas. The parity of member country's currency vis-à-vis gold would be preserved with currencies agreeing only to purchase or sell gold at the agreed parity. Further, any change in member currency values would not change the value in unitas of the Fund's assets."⁵¹ As such, in the event that a member country's currency significantly depreciated, that country would be responsible for giving the Fund the equivalent in their own currency of "the decrease in the unitas value of the Fund's holdings" of their currency."⁵² Unitas was nothing like bancor. Unlike bancor, which would be a medium of payment, unitas would solely be used for bookkeeping. However, the unitas idea – along with bancor – was altogether dropped after the Anglo-American negotiations pre-Atlantic City and Bretton Woods. They did not carry over to the "Joint Statement by Experts on the Establishment of an International Monetary Fund" (April 1944), opening the way up for the dollar to be as good as gold at the Bretton Woods conference.

Concluding Remarks

It is puzzling that, during WWII, White could dedicate enough time, especially as an extracurricular activity to his Treasury duties, to write a detailed account of gold's future. One reason could have been to clarify his own thinking about the yellow metal regarding what role it should play in a post-war monetary system. Like in the *Selection of a Monetary Standard for the US*, in *The Future of Gold*, White envisioned a continuing role for gold. White tried to reassure domestic audiences that the United States's accumulation of gold was not a problem. The United States was not likely to get all the gold, and even if it did, the gold would not become worthless. White saw gold the final arbiter of value — the best final medium of international exchange — as well as the best medium in which purchased power may be stored or saved.

⁴⁹ Keynes, J. M. (1978 [1942]). "Notes on the Memorandum for Post-War Currency Arrangements Transmitted By Sir F. Phillips". In E. Johnson and D. Moggridge (Eds.), *The Collected Writings of John Maynard Keynes* (Vol. 25). Cambridge: Cambridge University Press, 160-168, 160.

⁵⁰ White, "Preliminary Draft", 87.

⁵¹ Ibid., 88.

⁵² Ibid.

Another reason that gold would retain its value was that countries would be reluctant to accept rapid contractionary domestic adjustment in the face of a trade deficit, so they would need lots of gold reserves that they could either draw down or use as reassurance to potential creditors to enable borrowing. In other words, White was arguing that precisely because countries wouldn't want to implement the classical gold standard adjustment mechanism (trade deficit followed by gold outflow followed by deflation), they would want to hold lots of gold to break the link between gold outflow and deflation. Lots of gold reserves were necessary even — or perhaps especially — in an “embedded liberalism” world. There were significant overlaps between Keynes and White vis-à-vis the role for gold, at least based on their pre-Bretton Woods writings. However, the differences carried White away from a fully Keynesian umbrella.

In conjunction with the previous chapter on Keynes versus White, the following points are evident:

1. Creating a role for gold in the international monetary system was not non-Keynesian because both Keynes and White had gold in their plans. They agreed on several ideas: pre-Bretton Woods, they both planned a system that incorporated gold; both economists also wanted the gold standard to become more flexible. A managed gold standard was not antithetical to Keynes's ideas. Neither White nor Keynes wanted the classical gold standard of the orthodox variety.
2. White and Keynes also agreed on the need for capital controls and the importance of domestic price stability.
3. The difference between White and Keynes was that they saw the role of gold going in a different direction. Keynes eventually wanted to replace gold with bancor (utilizing the Clearing Union), whereas White didn't.
4. White and Keynes also disagreed on creditor versus debtor adjustment, since Keynes wanted surplus countries to take on responsibility to adjust, which White did not wish to impose on them. They also disagreed on whether or not to introduce international management of a reserve currency: Keynes was in favor, White was against. Bretton Woods was also shaped by these differences.

Chapter V: En Route to Bretton Woods: The Atlantic City Conference, June 1944

To support the argument that White's ideas determined the Bretton Woods outcome, this chapter (on the Atlantic City Conference) and the next (on the Bretton Woods Conference) triangulate White's preference for an enhanced role for gold, the US Treasury's preference for gold, and an "international" preference (or coalition) for gold. White's ideas saw institutional support in the Treasury, which, as discussed in Chapter 2, carried the torch for the negotiations after winning the fight against the State Department. For many countries, especially the gold-producing ones, the future of gold became a key item in the negotiations. There was an international preference for gold to continue to have a role in the global monetary system. This was because gold provided a more material foundation than Keynes's fiat proposals, which would rely on agreement between different states.¹ Undeniably, a role for gold was also in US interests, given that the United States would be the largest creditor post-WWII. Using the ideas, interests, and institutions lens outlined in Chapter 2, I argue that at the conferences in Atlantic City and Bretton Woods, White's monetary ideas combined with US power shaped an outcome that did little to address Keynes's disagreements with White. The outcome, nonetheless, was not dictated by a transparent and unambiguous conception of US interests either; White's ideas still had a role.

Regarding the importance of ideas and applying Goldstein's framework to Bretton Woods (Chapter 2), it is clear that a policy window opened near the end of WWII. Both world wars, the interwar period with many hardships such as the Great Depression of 1929, and countries going on and off the gold standard acted as exogenous shocks. White, who was responsible for writing the US plan for the negotiations, entered in as a political entrepreneur at large and propagated his ideas. White was in the right place at the right time for his ideas to materialize. As such, he became a leading figure in designing the postwar economic system. He was free to exert his agency.

On the Ikenberry versus Gardner spectrum, the chapter places as follows. White's monetary ideas started to crystallize long before the Atlantic City and Bretton Woods conferences, as evidenced by his *Selection of a Monetary Standard for the US* and *The Future of Gold*. Having secured global dominance over gold, the United States certainly had an interest in ensuring that it had a role in the global monetary system. However, White's ideas were exogenous to those interests. White was certainly aware of the banking interests in, as well as the practicality of, passing the legislation in the Congress; he was not operating in a vacuum. Nonetheless, his insistence on gold while the world was turning away from those ideas disrupts Ikenberry and Gardner's narratives.

On the Helleiner versus Steil spectrum, the chapter places as follows. As I will discuss in this chapter and the next, White pushed the discussions forward quite often. At Atlantic City, he ensured Treasury-wide support for his ideas by training the American Technical Group prior to the arrival of the other delegations. Bretton Woods can be traced back to a singular source, and that is White, rather than the collective decisive influence of all countries. An international coalition for gold was important, but only in so far as it supported White's ideas.

To recap, efforts to conceptualize post-WWII international finance started nearly as soon as the war itself started. Germany completed its invasion and conquered France in June 1940. France surrendered and signed the armistice on June 22, 1940. A month later, on July 20, Walther Funk, the Minister of Economics of the German Reich, presented his vision for a postwar Europe under Nazi rule which would enshrine the German Reichsmark as a pan-European key currency

¹ Jabko, N., & Schmidt, S. (2022). "The Long Twilight of Gold: How a Pivotal Practice Persisted in the Assemblage of Money". *International Organization*, 76(3), 625-655, 637.

with no link to gold. Funk's vision garnered wide publicity. Both White and Keynes became aware of this Nazi economic plan for Europe. Having witnessed WWI, the Great Depression, the interwar years full of competitive currency devaluations and shrinking global trade, and now a second world war in just about 10 years, both figures respectively revisited and expanded their own earlier ideas about monetary systems and international finance during WWII.

White's two major works featuring gold — his 450-page report submitted to Treasury Secretary Morgenthau on September 22, 1934, *Selection of a Monetary Standard for the US*, and his *The Future of Gold*, written between 1939-1942 — both acted as an intellectual basis for his plans for Bretton Woods institutions — a fund and a bank — rooted in gold. Similarly, Keynes's earlier works shaped his own ideas about postwar finance. For instance, in his 1930 *Treatise on Money*, Keynes argued for a supernational bank and supernational bank money, which led to his proposal of *bancor* — a new reserve currency independent of gold, similar to what we now have in the IMF's SDR basket of currencies — to be implemented after WWII. Both White and Keynes are believed to have started drafting their own plans for a global monetary order post WWII in 1940-1941. Keynes's International Clearing Union would have had its own unit of account — the *bancor* — which would have been the key reserve currency. The International Clearing Union would have checked both countries with large deficits and those incurring large surpluses by penalizing them accordingly. On the other hand, White's International Stabilization Fund would not have had its own unit of account and would not have penalized surplus countries. Further, it would have placed a lighter financial burden on the United States than Keynes's Clearing Union. In January 1942, the US Treasury informally presented White's proposal for a stabilization fund at the inter-American conference in Rio de Janeiro, Brazil. In 1943, the United States and the United Kingdom released the White and Keynes plans, respectively, for postwar world finance. At this stage, the drafted plans primarily focused on the fund with the goal of also creating a bank. While White's plan emphasized gold and hence creating a gold exchange system with the US dollar still tied to gold, Keynes imagined a world in which gold's role would be gradually reduced.

Keynes and White drafted their plans separately and did not see each other's plans until mid-1942. From the beginning, White envisioned a central role for the dollar in the international monetary system. At a meeting of the American Economic Association, White posited that “the dollar is the one great currency in whose strength there is universal confidence,” which would “probably become the cornerstone of the postwar structure of stable currencies.”² In a draft, White stated many nations would oppose making an international unit account from any currency because it would be deemed a trade or publicity advantage to that country.³ This foreshadowed the fact that, as will be elaborated in the next chapter, the Bretton Woods statement included the phrase “gold-convertible currency”, which was defined as US dollars. After amendments to drafts, the Keynes and White plans were formally published in April 1943 for other governments to comment.

After a year of negotiations with the Allies, the Joint Statement by Experts on the Establishment of an International Monetary Fund was published on April 21, 1944. It was closer to White's plan than Keynes's, as the United States had the capital and would be providing the funds for postwar finance while others would mostly be borrowers. The importance of gold was evident in many clauses of the Joint Statement. Members would have to subscribe in gold as well as in their local currencies. The IMF's acquisition of gold was systematized. At admission to membership, a currency's par value would be expressed in terms of gold, further solidifying the

² White, H. D. (1943). “Postwar Currency Stabilization”. *The American Economic Review*, 33(1, Suppl. 2), 382-387, 387.

³ Van Dormael, A. (1978). *Bretton Woods: Birth of a Monetary System*. London: Macmillan, 200-201.

role of gold in the international monetary system. The Joint Statement, considered in its totality, advocated for a system tied to gold which would thereby solidify American interests in the postwar international political economy.

On May 26, 1944, the US Treasury led by Morgenthau sent invitations to 43 nations to attend a conference to be held from July 1 to July 22 in the town of Bretton Woods, New Hampshire. The goal was for a large group of nations to come together, discuss, amend the proposals, and eventually sign off on an agreement for a fund and possibly a bank. The IMF and the Bank for Reconstruction and Development were the outcomes of the Bretton Woods conference. The IMF was designed to help countries manage temporary balance of payments problems by providing funding so that competitive exchange rates would not threaten the stability of the global financial system. The Bank was designed both to help countries affected by WWII to speed up reconstruction of their nations and economies, and to provide support to poor countries for economic development.

Immediately preceding the Bretton Woods conference, a select group of nations invited to Bretton Woods gathered in Atlantic City, New Jersey, to discuss matters and prepare for the main conference. The Atlantic City Conference hosted 17 countries. For the United Kingdom and other countries, the Atlantic City and Bretton Woods conferences were the final opportunities to influence how global postwar finance would shape up alongside White's design. The US agenda, as set by White's gold-centric ideas, was one that would keep gold and the US dollar central.

Atlantic City Conference

The American delegation, or by its own terms the American Technical Group, consisted of experts from different departments of the US government. White was the chairman of the delegation. Economists from the Treasury's Division of Monetary Research — which White had directed since 1930 — constituted the core staff within the delegation. On June 14, 1944, the American delegation arrived at the Claridge Hotel in Atlantic City with a total of 27 members. The British delegation, along with other all other members of the European delegations, was to arrive 10 days later.

On June 19, delegates from all countries minus Norway and Greece arrived in Atlantic City. Despite this, the conference was not yet ready to go ahead full speed as important Belgian, Czechoslovakian, Indian, Dutch, and British members were still on the *Queen Mary*, the ship taking them from Europe to New York City. While waiting for other delegates, those in Atlantic City strived to make some initial progress by forming the Agenda Committee. After the arrival of the *Queen Mary* delegates, the full pool called itself the Formal Agenda Committee. Before the arrival of other delegates, the Agenda Committee had five meetings. The four committees looking at the IMF each had four meetings as well. At this stage, the discussions were focused solely on the Fund rather than the Bank.

The Atlantic City Conference had what can be considered as three phases: first, the American Technical Group and Agenda Committee Meetings before the *Queen Mary* delegations arrived; second, discussions of European delegations while on the *Queen Mary*; and third and finally, from the evening of June 23 onwards, the Atlantic City Conference Formal Agenda Committee Meetings once all delegations, including those from the *Queen Mary*, were present.

American Technical Group and Agenda Committee Meetings (Pre-June 24)

White saw the Atlantic City Conference as a two-week camp to drill the American experts in his monetary views. Against the fast pace of the conference, it was necessary to train the American delegation to safeguard the US position firmly. Highlighting White's desire to set the rules of the game, the secretariat at both Atlantic City and Bretton Woods was American. Hence, by hosting the negotiations, the Americans held the strategic advantage to decide and sway the agenda.

At its June 15 meeting in Atlantic City, the American Technical Group broke up into subcommittees focusing on different problems: "1) the relationship between the provisions dealing with the rationing of scarce currencies in the prohibition of exchange restrictions; 2) charges and penalties levied by the Fund; 3) taxation and immunity provisions for the Fund; 4) allocation of the income of the Bank and provisions for meeting the obligations of the Bank; 5) exemption of the Bank's operations from the security regulations of member countries."⁴ At its next meeting on June 16, four of the five subcommittees presented their initial reports. Emanuel Goldenweiser, who was a research director at the Federal Reserve, delivered a report which was accepted with revisions to gold-related clauses, whereby gold convertible currency was added next to gold. It was agreed that if a member country bought or sold gold from or to the Fund, it could levy a charge to be paid in gold or gold convertible currency. These changes show that they were making an effort to make gold convertible currency as good as gold, therefore opening a way for such currencies to be defined as USD later on. Other proposals followed in a similar vein.

On June 17, at the American Technical Group's meeting, it was proposed that the working document's "Settlement of Accounts with Countries Ceasing to Be Members" section should include a part stating: "currency of the country in the Fund at the time its membership ceases shall be set aside to the extent necessary to meet the Fund's obligations to it; but no payment shall be made until the Fund's holdings of its currency in excess of the Fund's obligations to the country are redeemed."⁵ In that case, "the country shall be obligated to redeem such excess currency in gold or in gold convertible exchange."⁶ Again, gold convertible exchange was to be as good as gold.

The group's June 18 meeting was mostly devoted to the Bank. Among other issues, it focused on safeguarding the Bank's assets against currency depreciation. There emerged an understanding that borrowers should have the responsibility to ensure the gold value of their drawings. Hence, "all payments of interest and principal to the Bank... [were to] be equivalent to the gold value of such payments on the basis of the gold parity of the currency in which the loan was contracted at the time the loan was made."⁷ Against the risk of currency depreciation, assets would be based on their gold values and would require compensation by the borrowers accordingly. The fiat currency in itself would not mean much, paralleling White's own ideas about gold.

The Agenda Committee, which was the general panel including all delegates at Atlantic City, first met on June 19. Its mission was to prepare the agenda for the Bretton Woods Conference. It had its first five meetings before delegations on the *Queen Mary* arrived. At the June 16 meeting,

⁴ Schuler, K., & Canning, G. (2019). *Just Before Bretton Woods: The Atlantic City Conference, June 1944*. New York: Center for Financial Stability, 83-84.

⁵ Ibid., 99.

⁶ Ibid.

⁷ Ibid., 105.

as discussed, four subcommittees were established to organize drafting and discussions for the IMF: (a) Purposes, Policies, and Subscriptions, (b) Operations of the Fund, (c) Organization and Management, and (d) Establishment of the Fund. At Atlantic City, no subcommittees were yet established to deal with the Bank, as the American draft for it had not been negotiated with other countries. On the other hand, the Joint Statement was there from the very beginning as a pre-negotiated proposal for the IMF. As such, the Bank issue was not picked up until June 29, the penultimate day of the conference.

At the American Technical Group's meeting on June 19, par values were discussed, and it was agreed to express par values in terms of gold. This was in direct agreement with the Joint Statement and meant a desire for the system to be fully anchored in gold. Next, they discussed how the Fund's holdings of gold should be apportioned between different depositories. It was agreed that the Fund should hold its gold in a few of the largest countries, but the group delayed deciding whether the United States should hold half of this gold until the American delegation arrived. As the United States had most of the gold in the world, it wanted to honor US interests and did not want to let go of its holdings.

The meeting of the second IMF subcommittee (Operations of the Fund) on June 20 was fully dedicated to gold. Delegates discussed purchases of gold between the IMF and the member countries. The fact that gold was and would continue to be discussed at many meetings in Atlantic City and later at Bretton Woods shows that, though Keynes and others wished to see gold's role gradually lessening, White clearly wanted to find a role for gold in the postwar international monetary regime. White was well aware that gold made up most of the Federal Reserve System's assets. Gold was a recurring theme, coming up in discussions again and again, be it private delegation meetings, subcommittee meetings, or full-scale agenda meetings.

At the Agenda Committee's second meeting on June 20, subcommittees reported discussions from their own meetings. Louis Rasminsky of Canada, who had also written the Canadian plan for Bretton Woods as the Head of Research and Statistical Section of the Foreign Exchange Control Board, asserted that countries should be able to repurchase their currencies from the Fund as they wished in exchange for gold. The Canadian plan emphasized gold as a key feature; this reinforces the argument that there was an international coalition for gold. It read that "the monetary unit of the Union shall be an international unit of such name as may be agreed... and it shall consist of 137 1/7 grains of fine gold."⁸ To preserve values using gold as the final arbiter, they suggested, "no change in the value of the currencies of member countries shall be permitted to alter the value of the assets of the Union in terms of gold or the Unit."⁹ In line with the Canadian plan, what Rasminsky argued for at the committee meeting was a system that used gold as the ultimate store of value.

Rasminsky of Canada drew attention to the next major item: the American Technical Group's view that every member country should exchange their national currencies for gold. Rasminsky did not want to make this an obligation, since it appeared too close to the old gold standard. The American Technical Group's stance was in line with White's plan, which was to make gold a key anchor moving forward. The following discussion highlighted the flexibility that the Fund gave the international exchange rate, meaning that such obligations wouldn't equate to a gold standard. However, in reality, the postwar system in action proved to be less flexible than

⁸ Rasminsky, L. (1943). "The Canadian Plan". In J. K. Horsefield (Ed.), *The International Monetary Fund 1945-1965: Twenty Years of International Monetary Cooperation* (Vol. 3). Washington, DC: International Monetary Fund, 103-118, 110.

⁹ Ibid., 111.

people claimed it would be during this meeting. White's belief in gold was very much alive, and the US Treasury bought into his thinking, meaning that the US delegation proposed a system that had gold at its centre.

At the same meeting, the delegates discussed how obliged a country should be to the Fund, as well as the provision that half of a country's purchases from the Fund should be paid in gold. Andre Istel of France, who had co-written the French plan for Bretton Woods with Herve Alphand in response to the Keynes and White plans, thought that this percentage should be adjusted for those countries most damaged in the war who needed gold for reconstruction. Istel therefore proposed reliefs in gold payments for substantially damaged countries.

White, however, argued that while gold provisions would introduce difficulties, this would ultimately benefit everyone. He suggested that Istel's relief idea should only be granted once for each damaged country, since the Fund itself was designed to resolve problems with gold resources. As was to be witnessed again and again later on, White, by arguing that gold requirements were for the greater good, was indeed promoting his own gold-centric monetary ideas and US interests.

The French had had a historical confidence in gold since the French Revolution.¹⁰ In 1789, their National Assembly introduced 'assignat' or paper money backed by confiscated church properties. This led to inflation and holders exchanging their assignat for old coins illegally, leading to rapid depreciation. In 1803, Napoleon therefore introduced bimetallism, fixing "the ratio of silver to gold at 15:1/2:1."¹¹ As a result, French politicians had long held a fear of hyperinflation and a belief in gold's stability. Further, in 1931, when many countries went off the gold standard, the French decided to keep it and only "[devalued] their currency in 1936 but without abandoning the franc's relation to gold."¹² They viewed gold as the key to both economic stability and their political rise.

The French did not offer their own plan at Bretton Woods and supported the final agreement, but former Financial Adviser to the Reynaud Ministry, Andre Istel, and the Former French Financial Attaché in Washington, Herve Alphand, wrote a French plan in 1943, which they penned with senior officials of the French Treasury. This plan conveys the views of French policy makers where Bretton Woods documentation is lacking. Bordo et al. argue that "the French plan of 1943... had strong antecedents in the proposals of the Financial Commission at the Genoa Conference in 1922 and the Tripartite Agreement of 1936."¹³ Read together, "they reveal a coherent and consistently pursued policy" which took gold as a neutral means of exchange in the international monetary system.¹⁴

Just like the aforementioned Canadian plan, the French plan emphasized a role for gold. In doing so, it sought to promote international parity.¹⁵ In effect, it suggested fixing participating countries' currency values to each other's currencies; official values would have been changed only after consulting with other members. To increase currency liquidity, the plan would also have required members to hold each other's currencies. Pegging currencies to the dollar would have made gold a reserve asset and a means of settlement, and the French wanted currencies defined "in

¹⁰ Graetz, M. J., & Briffault, O. (2019). "A 'Barbarous Relic': The French, Gold, and the Demise of Bretton Woods". In N. Lamoreaux & I. Shapiro (Eds.), *The Bretton Woods Agreements*. New Haven, CT: Yale University Press, 121-142, 121.

¹¹ Ibid.

¹² Ibid., 123.

¹³ Bordo, M. D., Simard, D. & White, E. N. (1994). *France and the Breakdown of the Bretton Woods International Monetary System* (IMF Working Paper No. 94/128). International Monetary Fund, 4.

¹⁴ Ibid.

¹⁵ Graetz, & Briffault, "The French, Gold, and the Demise of Bretton Woods", 125.

terms of a fixed weight of gold.”¹⁶ Further, they also “proposed a Monetary Stabilization Office to facilitate currency clearings, serve as a depository for collateral, and become the location of international consultation.”¹⁷ Overall, the French wanted gold at the center of the international monetary system, not the dollar, but this was not to be.

“Consecrated by a mystic thousands of years old,” gold helped to overcome the difficulties of adopting a new international currency.¹⁸ “Gold is the international currency of the future,” Alphan and Istel wrote.¹⁹ They argued that it should be used to settle international balances and used as a monetary unit. Dollar and gold would be linked. The French saw that members could use gold as a reserve asset and means of settlement if their currencies were pegged to the dollar. This would therefore have meant that members could fix their currencies to gold later. The key difference was that “the restored gold standard would not have been regulated automatically by the classical adjustment mechanism” but rather “would have been managed by monetary authorities using their discount rates to preserve both internal and external balance.”²⁰ Alphan and Istel saw this “as a first step toward a general return to an international gold standard.”²¹ The French views strengthen the argument that there was an international coalition for gold.

To return to the Conference proceedings, at the Agenda Committee’s meeting on June 21, issues related to gold came up again. For one, Antonio Espinosa de los Monteros of Mexico suggested exchange ratios in place of linking currencies to gold. Istel of France saw no difference between the two conceptions. White, on the other hand, argued that expressing currencies in terms of gold was sensible given that they had all agreed not to express them in terms of one nation’s currency. Monteros, referring to the Joint Statement, II-1 Total Amount clause as an example, also questioned why numerical quantities needed to be expressed in terms of dollars. It was decided that the second subcommittee would explore the possibilities of a different unit of account. Later on, both at Atlantic City and Bretton Woods, Mexico sought a role for silver as well, but its call was rejected by other delegations — mainly the United States. It could be argued that the Mexican delegation, at this June 21 meeting, proposed to express currencies as exchange ratios rather than in terms of gold to dilute the role of gold. There was an international coalition for gold, as evidenced by the demands of Canada, France, and other countries. However, there were also silver interests, as evidenced by Mexico and others. This idea was eventually disregarded.

Next, at the same meeting, the second subcommittee brought forward a Soviet proposal to retain newly mined gold. As a major producer of gold, the Soviet Union had an interest in seeing its value remain intact. The two suggestions were as follows: “a) that provision IV-7(b) of the Joint Statement [‘Fund’s Acquisition of Gold’] should not be applied to countries substantially damaged by the enemy, and; (b) that provision IV-7(c) should not apply during the period of restoration [and reconstruction] to increases in gold holdings resulting from newly mined gold, in the case of countries substantially damaged by enemy occupation.”²² Van Dormael argues that the Soviets’ only goal for the conference was to maintain an international market for their gold production —

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Istel, A., & Alphan, H. (1943). “The French Plan”. In J. K. Horsefield (Ed.), *The International Monetary Fund 1945-1965: Twenty Years of International Monetary Cooperation* (Vol. 3). Washington, DC: International Monetary Fund, 97-102, 101.

¹⁹ Ibid.

²⁰ Bordo, Simard, & White, *France and the Breakdown of the Bretton Woods International Monetary System*, 4.

²¹ Istel, A., & Alphan, H., “The French Plan”, 100-101.

²² Schuler & Canning, *Just Before Bretton Woods*, 225.

there was no domestic market, given the poverty of Soviet citizens at the time.²³ Soviet Union therefore wanted to promote an international need for gold. The Soviets had a vested interest in a gold-exchange and wanted to see a role for gold in the post-WWII global monetary regime.

At the June 22 meeting of the third subcommittee, Organization and Management, the IMF's unit of account was discussed, among other issues. In the Soviet representative Aleksei Smirnov's conception, gold and the US dollar were the only choices. He raised the following points with regard to unit of account. First, he questioned whether there should be a unit of account. Second, he asked if this unit, if introduced, should be in terms of gold, which he saw as a purely political idea. Third, he asked whether this unit could be expressed in terms of one currency, such as the US dollar, for simplicity and unyielding great quotations. Last, he asked whether par values should be expressed in terms of gold or a unit expressed in gold.

Gold was considered key even for a post-WWII world. Later in the century, in 1969, the IMF created the SDR, its own unit of account, which was initially linked to the U.S. dollar but diverged in value. The IMF still uses the SDR today, for example, for loans to members. Soviet suggestions emphasized gold, but they singled out the USD as a key currency that could be the unit of account.

At the Agenda Committee's on June 22, gold came up from the very beginning. Octavio Gouvea de Bulhoes of Brazil stressed that the terms "gold convertible exchange" and "official gold holdings" needed to be defined. This was important, as the very definitions would decide if and by how much each country would part with their gold. In the larger context, the definition of "gold convertible exchange" was important because the link to the USD would later on assure the dollar's dominance over global monetary affairs by nominating USD to be as good as gold.

Furthermore, in line with the Soviet proposal discussed above, Bulhoes reported that some members of his committee had advocated to reduce war-torn countries' gold contributions from 75% to 50%. Pazos of Cuba responded that this would only weaken the Fund and bring no advantage to said countries. His concerns were echoed by Sir Theodore Gregory of India, who argued that reducing contributions would only make it difficult to define the aforementioned terms. However, Istel of France argued that gold would be key for reconstruction. Redvers Opie of the United Kingdom countered that reconstruction would be the Bank's responsibility, not the Fund's. To this, Smirnov responded that, "since the draft had recognized the necessity of reduction of gold contributions for the invaded countries, this provision should be retained."²⁴ Tingfu Fuller Tsiang of China pointed out that they were not asking for such provisions, even though they had been invaded. As before, gold-producing countries such as the Soviet Union and countries with large gold holdings such as France did not wish to part with their gold. However, other countries that did not hold much gold wished to see a Fund supported by solid gold backings. There was hence at least an international consensus on the significance of gold in a global monetary regime.

The point must be made that although China did not ask for easements on provisions, they influenced the drafting process in 1943. When the Keynes and White plans were published, Chinese officials identified that the British plan would better serve their interests.²⁵ Chinese experts therefore negotiated with the United States and convinced them to modify the IMF draft to give

²³ Van Dormael, *Birth of a Monetary System*, 186.

²⁴ Schuler & Canning, *Just Before Bretton Woods*, 229.

²⁵ King, A. (2022). "Power, Shared Ideas and Order Transition: China, the United States, and the Creation of the Bretton Woods Order". *European Journal of International Relations*, 28(4), 910-933, 918.

invaded countries flexibility on initial exchange rates and gold payments.²⁶ China also had an interest in holding onto its gold. In line with Amy King's argument, it can be suggested that they did not pursue a further easement because "subordinate China chose to reinforce US superordinate status because a United States-led international order secured, for China, the goal it valued most: a leading place within the post-war order".²⁷ As such, China not seeking further easements does not necessarily mean that they were uninterested in holding onto their gold, but rather that they wished to operate in a United States-led world that maximized Chinese interests.

As the next major item, the first subcommittee (Purposes, Policies and Subscriptions) searched for alternative ideas to the United States's proposal that four leading nations should hold the IMF's gold deposits. The two alternative proposals — one proposed by the United Kingdom, another by Netherlands — were, respectively, that the Fund should select which countries hold its assets based on quotas and shipping facilities, and that the Fund should simply just select where to hold its assets at will. In its discussion of depositories, "the committee found the first formulation of this provision [Alternative A, US], which is the one set forth in the flimsy, unsatisfactory, and felt that the second formulation [Alternative B, UK] involved technical disadvantages in that it sets up two different criteria."²⁸

Next, the USSR suggested that a 25% reduction in gold contributions should apply only to certain countries destroyed in the war, and they proposed a range of 50–75%. This was first because their large gold holdings, "variously estimated from \$3 to \$6 billions", would not make them benefit from cut gold contributions for countries with low reserves.²⁹ Second, they wanted member gold contributions to depend on whether they had been invaded. Third, they did not want their gold holdings to be used to repay the Fund.

In a later letter addressed to the Bretton Woods US delegation members and other members of Congress, Morgenthau summarized the state at the end of the Atlantic City Conference. In the annex, "Questions at Issue on the Fund", gold subscription was one of the issues that he highlighted.³⁰ He identified Soviet Union as one of the countries that wanted gold subscription reductions to be changed from 25% to 50% for countries substantially damaged by occupation. He also acknowledged Soviet Union's view of their need for their gold resources for reconstruction given the extent of the destruction. Morgenthau therefore granted them the 50% reduction. France had also made similar arguments. Morgenthau similarly recognized that France's large gold holdings would be "depleted rapidly" during reconstruction, which meant that the French did not want their holdings to be viewed as the basis for their gold subscription.³¹ Morgenthau commented that, "as would be expected, the occupied countries all hold these views, although not so strongly pushed by them as [Soviet Union] and France."³² In his instruction of American delegates, White

²⁶ Ibid., 923. Amy King cites Morgenthau's letter as "Morgenthau H (1943) Letter to Kong Xiangxi, 14 Sep 1943, ANY Papers, Box no. 78, Folder IMF 1943, from June 1, HILA."

²⁷ King, "China, the United States, and the Creation of the Bretton Woods Order", 923.

²⁸ Schuler & Canning, *Just Before Bretton Woods*, 231.

²⁹ Mikesell, R. F. (1951). "Negotiating at Bretton Woods, 1944." In R. Dennett & J. E. Johnson. (Eds.), *Negotiating with the Russians*. Boston, MA: World Peace Foundation. 101-116, 107.

³⁰ Diary entry, June 24–28 1944, Volume 747, 2, 233, Diaries of Henry Morgenthau, Henry Jr. Franklin D. Roosevelt Library.

³¹ Ibid.

³² Ibid.

would also note that, “needless to say, all the invaded countries are supporting [Soviet Union] – France, Greece, Netherlands, Belgium, and so forth – China.”³³

The American Technical Group’s June 23 meeting began with reports from American delegates of subcommittees. Mexico pressed for silver to have a role in the new monetary system. More specifically, Monteros wanted to bypass discussion in Atlantic City and put silver on the agenda for Bretton Woods to protect their pro-silver views from being shut down by other delegations. They proposed that the IMF should find a role and create its own desired policy for silver, to which member countries should agree. Mexico, as a large silver-producing country, wanted to protect its own interests by trying to find a role for silver.

The following day, “Mexico’s Memorandum on Silver” was published as Document F-2. This memorandum, featuring a preamble, further detailed Mexico’s point of view on the role of silver to be discussed at the Bretton Woods conference. First, they wanted the IMF to consider the monetary practices of all member countries, not just a few. They also raised that several member countries had large silver stocks as well as gold reserves and wanted to use them, since these stocks operated as much as holdings as their gold when settling international balances. Mexico warned that silver holdings should not be disregarded and that a solution needed to be found. They therefore requested that delegates at Bretton Woods should discuss, as they outlined on June 23, the IMF’s desired role for silver.

The American Technical Group covered a lot of ground while waiting for the arrival of other delegations. Meetings with other delegates at the Agenda Committee, as well as subcommittee meetings, helped to develop American proposals and platform comments. The group was so productive that they prepared a full draft of the IMF Articles of Agreement regarding the Joint Statement. Later, this American draft became the basic document that the Atlantic City Conference considered while the other delegations were on the *Queen Mary*.

The British Delegation and Queen Mary (Pre-June 24)

The Atlantic City Conference was an opportunity for Britain to voice its views further and advance an alternative draft for a bank to the United States’s proposals. As such, Keynes decided on a negotiation strategy of uniting European nations. With the British worked to begin collaboration with Europeans at the earliest opportunity, on May 12, 1944, Keynes came up with the proposal for arranging shared transport to the United States to facilitate time for pre-conference discussion.

While relevant preparations were being made, Sir John Anderson met with key British delegates on June 8 for a briefing. First, they agreed that Britain’s most important goal was to secure their ability to devalue their currency without needing IMF approval. This was because they wanted to “retain sovereignty in exchange rate matters.”³⁴ Second, they also agreed that the IMF should institute of a transition period of five years from the end of the war before obliging members to lift restrictions on transactions currently in progress. Third, the delegates collectively refuted the Joint Statement’s implication that countries with “sterling balances” should be allowed to convert those assets into dollars as desired. The reason for it was that a mass conversion at the current exchange rate would weaken Britain’s already fragile financial position. India and Egypt

³³ Diary entry, July 1–3 1944, Volume 749, 6, Diaries of Henry Morgenthau, Henry Jr. Franklin D. Roosevelt Library, Hyde Park, New York.

³⁴ Schuler & Canning, *Just Before Bretton Woods*, 26-27.

had major sterling balances that they wanted to convert as soon as possible, and they were to voice their concerns at Atlantic City and Bretton Woods.

On June 16, 1944, the British and other European delegations boarded the *Queen Mary* to reach New York on June 23. Onboard, the European delegations began discussing and drafting for Atlantic City. Britain was the largest and most powerful among them, so they had scope to develop alliances in preparation for disagreement with the United States. They held many meetings while on the ship, both internal and external. After the British met to discuss the Joint Statement, Fund amendments, and Bank of Reconstruction drafts, they would put their ideas to other delegations. The goal for the British was to gain support for their position while taking criticism into account. The most important delegates were on the *Queen Mary*, and the British did not want decisions being made without them in Atlantic City already. From a strategic point of view, the *Queen Mary* gave the British a significant audience off whom to bounce off ideas ahead of Atlantic City.

Discussions onboard led to significant developments: The British drafted their own IMF and bank documents to challenge the Americans'. The discussions about the Fund largely covered par values, including members' rights to change them and the Fund's rights to control them. The World Bank was a matter of even greater concern for the Europeans devastated by war than for the United States. All in all, these meetings were productive and gave Keynes hope for the work ahead; he wrote to Sir Richard Hopkins, Permanent Secretary of the Treasury, "we got down on paper every point we wanted to raise with White, and discussed nearly all of them with our Allied friends."³⁵

The British onboard had their first formal meeting on June 19, at 10:30am. At noon, another meeting with all the Allied delegations followed, during which Keynes proposed to use their journey for negotiations to prepare for the conferences ahead. He suggested that discussions about the bank should begin on June 21. When the British delegation met later that evening, gold and gold convertible exchange were discussed. They criticized the way the discussions of gold convertible exchange and convertibility for current transactions was phrased in the Joint Statement, and they also questioned the IMF's potential authority when it came to member disputes. At the meeting, the delegates adapted one of Keynes' papers on the matter and agreed on several points. First, they stated that, no matter what the United States desired, there were no gold convertible currencies in existence.³⁶ Second, they raised concerns about substituting "convertible" for "gold convertible" currencies, since it meant that countries with convertible holdings risked them being acquired by the Fund, and countries accepting convertibility could have their access to the Fund blocked. It could also lead to the IMF being saturated with sterling. Regardless, they did consider that this proposal could be advantageous for the United Kingdom. Third, they wanted the definition of "convertible exchange" to include Bank deposits and official government obligations (though they knew that the IMF and members would have disputes sometimes), and they defined "net official holdings". Lastly, they agreed to present an amended version of their ideas about the Fund acquiring gold to the other delegates.

³⁵ Letter from Keynes to Sir Richard Hopkins, June 25, 1944, T 231/365, The National Archives of the UK.

³⁶ Schuler & Canning include the following footnote: "Article II, Section 3 of the Joint Statement ["Gold Subscriptions"] specifies rising gold convertible exchange as a factor in calculating the amount of initial gold subscriptions to the IMF. The United States remained on the gold standard during World War II in principle, but wartime trading regulations and the dangers of ocean shipping in wartime meant that in practice, foreigners could not freely convert US dollars for gold and ship the gold abroad as they had been able to do before the war." Schuler & Canning, *Just Before Bretton Woods*, 148-149.

At the Allied delegations' meeting on the morning of June 20, they presented their point that a gold convertible currency didn't exist, not even the US dollar.³⁷ In Keynes's memorandum on the subject, Keynes quoted Ralph George Hawtrey, a Cambridge economist. Hawtrey echoed the British delegates' point that a gold convertible currency didn't exist; the US dollar had parity when it came to gold transactions, which was not the same as convertibility.³⁸ Keynes and others therefore flagged their desires for a phrasing change to the US Treasury. In his memorandum, Keynes argued that if each member currency was obliged to be convertible under IX (3), it would become "indirectly gold convertible" if another member currency was gold convertible.³⁹ Keynes's point was true. Nevertheless, he perhaps could not have anticipated that at the Bretton Woods conference, the gold convertible currency would be specified as US dollar, thereby ensuring American political and economic dominance. All in all, at this meeting, the Allied delegations agreed with the British on the problem of gold convertible exchange, showing a clear stance.

At the British delegation's meeting on the evening of June 20, several issues raised by India were discussed. Jeremy Raisman of India pointed out the importance of Clauses IX-3 and IX-4 for the problem of Indian sterling balances, and he highlighted that "Indian critics would be likely to seize on the apparent blocking of current sterling balances accruing after the war as highly objectionable."⁴⁰ In response, Keynes and Wilfrid Griffin Eady argued that the United Kingdom

³⁷ In the Joint Statement, "the gold and gold convertible exchange... phrase occurs in three passages, namely II (3), III (7)(b), and III(7)(c)." – IMC (44) DEL (F)4, reissued as IMC (44) (F) 2. IMF – The definition of "Gold and Gold Convertible Exchange": Memorandum by Lord Keynes. T 231/362. The National Archives of the UK.

The Joint Statement, Section II – Subscription to the Fund, Clause 7 reads as: "The obligatory gold subscription of a member country shall be fixed at 25 per cent its subscription (quota) or 10 per cent of its holdings of gold and gold-convertible exchange, whichever is smaller.

Joint Statement by Experts on the Establishment of an International Monetary Fund, Section III – Transactions with the Fund, Clause 7 read as follows: "7. The Fund may also acquire gold from member countries in accordance with the following provisions:

- (a) A member country may repurchase from the Fund for gold any part of the latter's holdings of its currency.
- (b) So long as a member's holdings of gold and gold-convertible exchange exceed its quota, the Fund in selling foreign exchange to that country shall require that one-half of the net sales of such exchange during the Fund's financial year be paid for with gold.
- (c) If at the end of the Fund's financial year a member's holdings of gold and gold-convertible exchange have increased, the Fund may require up to one-half of the increase to be used to repurchase part of the Fund's holdings of its currency so long as this does not reduce the Fund's holdings of a country's currency below 75 per cent of its quota or the member's holdings of gold and gold-convertible exchange below its quota."

³⁸ IMC (44) DEL (F)4, reissued as IMC (44) (F) 2. IMF – The definition of "Gold and Gold Convertible Exchange": Memorandum by Lord Keynes.

³⁹ Ibid.

⁴⁰ Schuler & Canning, *Just Before Bretton Woods*, 153. At the Allied meeting aboard *Queen Mary* on June 20 at 11:30am, proposals for amendments to Joint Statement IX-3 were considered, as well as IX-4, a new clause proposed to be added. The proposed section of the Joint Statement – to which Sir Jeremy Raisman refers here – reads as follows: "3. To buy balances held with it by another member with that member's currency or with gold, if that member represents either that the balances in question have been currently acquired or that their conversion is needed for making current payments which are consistent with the provisions of the Fund. This obligation shall not relate to transactions involving

- (a) capital transfers;
- (b) holdings of currency which have accumulated as a result of transactions of a current account nature effected before the removal by the member country of restrictions on multilateral clearing maintained or imposed under X-2 ["Transition Period"] below;
- (c) the provision of a currency which has been declared scarce under VI ["Apportionment of Scarce Currencies"] above;

needed the sterling balances issue to be settled between them and India without international interference. India's concern was that "if this clause was not so included convertibility of sterling might be indefinitely delayed."⁴¹ With the meeting's conclusion, British delegates promised to speak further on the matter later with Raisman. Both India and Egypt brought up issue of sterling balances again at Bretton Woods.

Based on the discussions on the *Queen Mary*, on June 21 the British published the document, "International Monetary Fund – Report by the United Kingdom Delegation on the preliminary conversations with other delegates, and suggestions for the amendment of the agreed Statement of Principles."⁴² Regarding the definition of gold convertibility, the document reinforced their conclusion that a gold convertible currency didn't exist and the phrasing needed to be changed. It proposed that currencies should be convertible in terms of IX-3 instead. This meant using the term "convertible" instead of "gold convertible" and specifying the meaning of "convertible exchange" under IX-3.⁴³ In practice, this would mean that members could opt to postpone the obligation of convertibility, while others can opt in to "convertible exchange". This would mean that foreign currency holdings could become "convertible exchange" slowly as members transitioned into the new system. After defining holdings, official holdings, and net official holdings, the United Kingdom further proposed to use the term "monetary reserves" instead of "net official holdings of gold and convertible exchange".⁴⁴ In Keynes's conception, all currencies had a chance to be gold convertible and could eventually be so. Yet, at Bretton Woods, the dollar was solidified as the gold convertible exchange from the very beginning, and dollar's dominance was ensured.

June 24 Onward: American, British, and Formal Agenda Committee Meetings

The ship reached New York City in the morning of June 23. Europeans aboard arrived in Atlantic City that evening, after which the Agenda Committee altered its name to the Formal Agenda Committee. Upon their arrival, more formal deliberations start on June 24. Once all the delegates were gathered, they laid the groundwork for Bretton Woods. On Monday, June 26, at the meeting on the IMF between the Americans and the British, the British resumed their criticism of the American ideas about supposed "gold convertible currency". To recap, the United States was on the gold standard during World War II in theory but not in practice, since limitations caused by the way meant that people couldn't actually convert and ship gold. The British, as they previously discussed with the Allied delegations on the *Queen Mary* and agreed, were concerned about how the phrase "gold convertible currency" would be defined.

It is important to note that before this date, the Joint Statement on the IMF had no equivalent for a bank. There only was the "Preliminary Draft Outline of a Proposal for Bank for Reconstruction and Development of the United and Associated Nations" published by the United

nor shall it apply to a member who has ceased to be entitled under III-2 ["Purchases of Another Member's Currency"] or VIII ["Withdrawal from the Fund"] above to buy other members' currencies from the Fund in exchange for its own currency.

4. Not to impose restrictions save as otherwise provided on payments for current international transactions with other member countries, or to engage in any discriminatory currency arrangements or multiple currency practices without the approval of the Fund." Ibid., 185-186.

⁴¹ Ibid., 154.

⁴² Ibid., 460.

⁴³ Ibid., 462.

⁴⁴ Ibid., 463.

States on November 24, 1943. Under this proposal, gold was the essential form of currency. The international monetary unit clause read as:

“1. The monetary unit of the Bank shall be the unit of the International Stabilization Fund (137-1/7 grains of fine gold, that is equivalent to \$10 US;

2. The Bank shall keep its accounts in terms of this unit. The local currency assets of the Bank are to be guaranteed against any depreciation in their value in terms of gold.”⁴⁵

In the American draft, the Bank’s currency was linked to gold and the US dollar outright. Further, regarding the US document about the Bank, the US Treasury distributed a document called “Questions and Answers on the Bank for Reconstruction and Development” to participants at Atlantic City.

On the other hand, while onboard the *Queen Mary* with other Europeans, the British wrote a “counterproposal” which outlined their opposition to and agreements with the United States. The British, when they arrived in Atlantic City, handed this counterproposal to the Americans. The British counterproposal, namely the “Proposal for a Bank for Reconstruction and Development”, highlighted where American and British ideas converged and diverged, and this became the starting point for the negotiations at Bretton Woods. At the end, the final agreement for the World Bank signed at Bretton Woods was a compromise between what both nations presented in Atlantic City.

At the American Technical Group’s June 25, 10am meeting, delegates discussed in detail the “British Report on the International Monetary Fund”, which was produced aboard the *Queen Mary* on June 21 and was then handed to the Americans along with the British counterproposal for the Bank when the British arrived in Atlantic City. Gold convertible currency was of course a large topic. At the meeting, it was highlighted that the British definition would amount to no currency being convertible. The American Technical Group, in contrast, defined “gold convertible” as “a currency which is freely convertible into gold subject to any specifically stated exceptions.”⁴⁶ This definition was shrewd in that it did not disclose gold convertible exchange as outright US dollar at this stage.

Another meeting of the British Commonwealth delegations was called on June 25 at 4:45pm for Keynes to report on his discussions with White. He told the delegates that White accepted several British views on a technical level, but the United States would not accept some British views for political reasons. As detailed in Chapter 2, White had Congress in mind. Further, Keynes reported that White foresaw disagreement on the following problems. First was the extent to which the IMF meant returning to the gold standard, since the British prioritized elasticity while the United States was aiming for stability. Second, the United Kingdom cared more about sovereignty while the United States wanted to endow the IMF with more power. Third, the United Kingdom wanted the IMF to be bigger than the United States did. Last, the United Kingdom wanted to protract the transition period while the United States wanted the opposite.

At the American Technical Group’s meeting on June 26, a US Treasury attaché who had been onboard the *Queen Mary* reported that most of the few meetings among Allied delegates had been about the IMF and only one was on the bank. He told his compatriots that Wilhelm Keilhau of Norway had tried to discuss the possibility of an international monetary unit. The issue of gold convertible exchange was coming up again and again.

At the American Technical Group’s meeting on June 27, they discussed the United Kingdom’s proposed definition of “gold convertible”. The British document with this proposal,

⁴⁵ Ibid., 70.

⁴⁶ Ibid., 128.

“Note on Certain Definitions”, was dated June 27, 1944 and included five clauses, which read as follows. First, they wanted to replace the words “gold and gold convertible exchange” with “monetary reserve”. Second, these reserves would comprise net official holdings of gold and convertible exchange. Third, they stated that official holdings should mean all those in a central bank or any other bank, treasury, or government institution. This excluded the holdings of authorized dealers in exchange. Fourth, once a member had accepted the obligation of convertibility, they wanted convertible exchange to be defined under IX-3. A member which had accepted the obligation would have automatically “convertible” currency. Fifth, they wanted to calculate “net” official holdings by taking liabilities from gross official holdings to prevent gold and convertible currencies from being counted twice. At the meeting, the American Technical Group decided to ask the British to calculate the effect this would have on the Fund in terms of member gold contributions. They also wanted this proposed “convertible currency” to be as desirable as gold.

At the Formal Agenda Committee’s meeting on June 27, Keynes advanced that “currencies [should] be expressed in terms of gold as a common denominator.”⁴⁷ Having witnessed gold’s exacerbation of the Great Depression and the interwar years, Keynes’s arguments against the gold standard were solid. Post-WWII, he envisions a world that broke off its gold chains as much as possible, and hence a global monetary system in which gold no longer played the leading role. If Keynes’s *bancor* was out of question, the only alternative that he saw for a freely usable currency was the US dollar. However, this would not only make the pound sterling appear inferior but also would enshrine American financial dominance for many years ahead.

At the Formal Agenda Committee’s June 28 meeting, the discussion began with the United Kingdom’s document, previously drafted, “A Note on Certain Definitions”. Starting off, Keynes suggested that the original draft for the Fund should be amended and repeated his desire to change the term “gold and gold convertible exchange” to “monetary reserves”.⁴⁸ In the “Preliminary Draft of Suggested Articles of Agreement for the Establishment of an International Monetary Fund,” both gold and US dollars had been proposed. Keynes was asked whether the term “gold and dollars” could be used, and he said no.⁴⁹ He explained that since no currency was “gold convertible” at that time, a definition was required that could include several currencies, since other currencies would become convertible in the future, not just the dollar. He proposed that members accept IX-3 and make their currency convertible for the future IMF. White preferred to kick this matter down the line to Bretton Woods so that it could form part of the outcome he had mind: making the dollar as good as gold. He and his staff has already submitted a document to Morgenthau that had replaced references to “gold-convertible currency” and “holdings of convertible exchange” with “dollars”.⁵⁰ The British proposal for the definitions later progressed from a note and became Alternative B as part of an additional Article (XII) on interpretation of the Agreement. This Alternative B read that “convertible exchange means the currencies of members who have accepted the obligation of convertibility under IX(3) [of the Joint Statement]... [and] where a member declares that this obligation is accepted from the outset, that member’s currency shall be reckoned as convertible for the purpose of the official subscription.”⁵¹ Keynes at this point

⁴⁷ Ibid., 267.

⁴⁸ Ibid., 269.

⁴⁹ Van Dormael, *Birth of a Monetary System*, 165.

⁵⁰ Ibid.

⁵¹ Schuler & Canning, *Just Before Bretton Woods*, 435.

did not anticipate that at Bretton Woods, gold convertible currency would outright be defined as the US dollar.

The Formal Agenda Committee's June 29 meeting began with a discussion of fixing initial par values. Edward Bernstein from the US Treasury proposed that they take what parities were in place on July 1, 1944 unless the Fund or the relevant countries saw otherwise fit. In that vein, in lieu of the Joint Statement clause which read as, "the par value of a member's currency shall be agreed with the Fund when it is admitted to membership, and shall be expressed in terms of gold," the Alternative A proposed by the United States read that "the par value of the currency of each member shall be expressed in terms of gold, as a common denominator, or in terms of a gold convertible currency unit of the weight and fineness in effect on July 1, 1944."⁵² The US alternative was in total accordance with White's gold-centric approach and the United States's own interest in solidifying the US dollar as the ultimate gold convertible currency. White's ideas, as embraced by Bernstein, saw support at the Treasury and hence were supported at an institutional level. The US dollar was arguably at its zenith, and the United States wanted to take advantage of and continue the status quo.

Keynes, however, highlighted the fact that the pound had no official value in gold terms, the way the dollar did. Therefore, he thought that the official rate on July 1, 1944 would actually be meaningless for the United Kingdom and other member countries. In response, and to clarify, White as Chairman listed what he thought the problems were: first, that there was an exchange rate pattern for such transactions; second, that this pattern was hard to describe; and third, it was also hard to decide whether to maintain this rate schedule.

Keilhau then turned to the aforementioned document "British Report on the International Monetary Fund", and more specifically its annex dated June 19, 1944, part of the United Kingdom's Alternative B, with regard to establishing par values. It stated that both the United Kingdom and United States should "communicate the initial par values of their currencies expressed in gold", and other countries would follow suit.⁵³ After they had reconstructed their monetary systems destroyed by war and invasion, occupied countries could then state their initial parities. Keilhau commented that many countries needed to know the dollar-sterling rate before they could set their own rates. In response, Keynes argued that this would be impossible and suggested that a provisional rate could be used instead until reconstruction had finished. Keynes wanted to dilute dollar dominance as much as he could, giving other countries a chance to gain some of their strength to argue for better par values.

Bernstein, representing the Treasury's views, in parallel with American interests and as a close associate of White, argued that many member nations already had appropriate exchange rates. He hence contended, "it is not necessary to refuse to use such partial solutions as a starting point merely because of difficulties of definition."⁵⁴ Bernstein also pointed out that so many rate changes at once would cause problems and that there already existed working parity rates. He further advanced that making the US dollar a gold convertible currency would make it easy to decide other par values based on other currencies' dollar exchange rates. Additionally, he wanted to set a date for determining par values before the IMF was established so that members would not act purely out of self-interest. In parallel with Bernstein, White advanced that the United States would not entertain discussing these rates since it foresaw depreciation for many of the currencies. Finally, Keynes on his country's behalf accepted the de facto rate from July 1, 1944, yet still argued

⁵² Ibid., 371, 394.

⁵³ Ibid., 301.

⁵⁴ Ibid., 296.

that countries should be allowed to change rates according to their own interests. Ansel Frank Luxford of the United States wanted the fund to have some say over exchange rates, while Bernstein also suggested that the fund should not have to support a rate with its resources if it did not agree with it. Next, Rasminko of Canada put forward the idea that a change in the dollar-sterling rate should open the possibility for other countries to change their currencies' rate of exchange. Both White and Keynes agreed that it could be possible.

At the Formal Agenda Committee's June 29 meeting later that day, the British proposed their changes to the American draft on the bank. Their 9th and 10th meetings — its last two meetings — were spent considering and combining both proposals. The idea was to come up with a compromise draft on which the Bretton Woods discussions would be based. The British proposal was more risk-tolerant than the American's, since they wanted to give the Bank the ability to borrow and re-lend funds, and make loans for economic stabilization after the war, not only certain projects.

Concluding Remarks

This chapter has supported the argument that White's ideas determined the Bretton Woods outcome by considering the Atlantic City Conference alongside White's, the US Treasury's, and other participating nations' ideas about gold. The next chapter will do the same with Bretton Woods. The future of gold was key in everyone's minds at the negotiations, and several nations wanted gold to continue to have a role in the global monetary system, particularly gold-producing and large gold-holding countries. Further, the United States had its own interests to consider given that it was the anticipated dominant creditor after the war. Using the framework of ideas, interests, and institutions lens in mind, it is clear that at Atlantic City, White's monetary ideas combined with US power shaped an outcome that disregarded Keynes's own views.

There are no officially published meeting summaries for the Atlantic City Conference. Transcripts prepared by Schuler and Canning make the meetings at Atlantic City and onboard the *Queen Mary* come alive, providing a rare glimpse into the arguments advanced by each delegation. Overall, the Atlantic City debates were not harmonious. Transcripts help us see the disagreements, creating a dent in the Ikenberry's harmonious historical narrative of the Bretton Woods negotiations operating in a Keynesian universe. The points on which Keynes and White disagreed vis-à-vis monetary policy, as elaborated in Chapters 3 and 4, created significant issues in Atlantic City. It seems that the Atlantic City discussions were more of a battle — as emphasized by Gardner — than a peaceful march toward enlightenment. The fact that Keynes gathered European delegations to bring forth a European front is comparable to a military tactic, and Keynes was highly aware of the importance of diplomacy, especially after seeing Woodrow Wilson's diplomatic defeat at the Versailles Peace Conference. Likewise, the fact that White gathered and trained the American delegation before other delegations arrived, and that he held the Atlantic City Conference to prepare for Bretton Woods, are also comparable to strategizing before going into the main battle. Overall, transcripts of the Atlantic City Conference suggest a battle (as Gardner argues) rather than harmony (as Ikenberry argues). Furthermore, the fact that White was holding the pen for the Atlantic City Conference and organised the Treasury around his ideas supports Steil's narrative about Bretton Woods, which suggests that the outcome came from a single source, rather than Helleiner's view that the outcome came from multiple sources.

All things considered, the Atlantic City Conference accomplished a draft agreement for the Bank of Reconstruction and Development.⁵⁵ Prior to that, the Fund had always taken priority, even though “White viewed the Fund and the Bank as related. Indeed, the United States invited delegates Bretton Woods to work on the Fund “and possibly” the Bank.⁵⁶ Interviews years after Bretton Woods reinforce delegates’ views that “the Fund [was] spinach and the Bank dessert” because deciding on exchange rates made organizing the Fund difficult, whereas planning the Bank, a source of loans, was a welcome prospect.⁵⁷ Joining the Bank would also mean joining the Fund first, just as spinach has to be eaten first. In retrospect, Atlantic City brought planning of the Fund and the Bank closer together in the leadup to Bretton Woods. Pre-Atlantic City, though nations generally agreed on the Fund’s purpose, there was only an American proposal for the Bank. Thanks to the Atlantic City Conference, by its end, both the Fund and the Bank had draft agreements. Though the compromise on the Bank was not as detailed as that for the Fund, it laid a strong foundation for Bretton Woods.

This draft agreement for the Bank included a number of clauses referring to gold. The depositories stated that the Bank could hold gold in the four largest gold-holding member countries. While most of the Bank’s gold holdings were to be held where the Bank had its “principal office”, yet they could transfer these holdings elsewhere if necessitated by an emergency.⁵⁸ It also read that, to protect Bank’s assets, their gold value should not be changed by altered foreign exchange values of member currencies. To that end, it read, “whenever (i) the par value of a currency of a member is reduced, or (ii) the foreign exchange value of the currency of any member has depreciated within the jurisdiction to a significant extent in the opinion of the Bank, the member shall compensate the Bank by paying to the Bank within a reasonable time an amount of its own currency equal to the reduction of the gold value of the currency of such member held by the Bank.”⁵⁹ The Bank would also compensate members in the inverse scenario. All these clauses showed that, even for the post-WWII world, the question of gold would continue to be essential. White’s gold-centric ideas saw support at the Treasury as well as global support due to an international in favor of gold.

Through Atlantic City, though the British and other Allied delegations were able to get concessions, the United States preserved the crucial upper hand. For instance, they ensured more voting power than the British on the Fund and the Bank. This, along with the proposed legal framework, ensured that the requirements of both the Fund and the Bank for American resources would be politically acceptable domestically. More importantly, regarding gold’s role in the Bretton Woods outcome, the British would eventually come to accept that the US dollar should nearly be equated to gold, despite their protests throughout the Atlantic City Conference, which eventually created essentially a dollar standard; problems eventually arose when US policies did not ensure that the dollar maintained the required characteristics of gold.

The Atlantic City Conference, having developed two major drafts – one for the IMF, and other for the Bank – ended on June 30, 1944. Most of the delegates took the same train together to Bretton Woods, New Hampshire. The main event, the Bretton Woods conference, began the next day, on July 1, 1944.

⁵⁵ Ibid., 37.

⁵⁶ Ibid.

⁵⁷ Ibid. Schuler and Canning include as footnote: “Rees (1973: 137-138); Boskey (1957: 2). See also World Bank Archives Oral History Program (1961: 6-8).”

⁵⁸ Ibid., 495.

⁵⁹ Ibid.

Chapter VI: The Bretton Woods Conference, July 1944

As the previous chapter, this chapter on the Bretton Woods Conference triangulates White's preference for an enhanced role for gold with the US Treasury's preference for gold alongside an 'international' preference (or coalition) for gold. White's ideas saw institutional support at the Treasury, which, as aforementioned in Chapter 2, came to carry the torch for the negotiations having won the fight against the State Department. For many countries, especially for gold-producing ones, the future of gold would be a key item in the negotiations. There was an international preference for gold to continue to have a role in the global monetary system. Further, undeniably, there were some US interests involved given that the US would be the largest creditor post-WWII. Using the ideas, interests, and institutions lens outlined in Chapter 2, I argue that at conferences in Atlantic City and the Bretton Woods, White's monetary ideas combined with US power shaped an outcome that did little to address Keynes' disagreements with White. The outcome, nonetheless, was not dictated by a transparent and unambiguous conception of US interests either, such that White's ideas still had a role.

The Bretton Woods conference was not self-contained; it did not develop the agreements for the Fund and the Bank from scratch. There had been a lot of work done preceding the arrival of the delegates representing 44 countries: the White plan, the Keynes plan, the Joint Statement, and finally the compromise drafts for both the Fund and the Bank agreed at Atlantic City upon which the Bretton Woods discussions were based. The framework for Bretton Woods was established after at least three years of ideation, discussion, and negotiation. The American and British governments wanted to put an end to the competitive currency devaluations of the interwar period which had resulted in the shrinkage of world trade. As WWII came to an end, the United States was ready to relinquish its stance, which had been – during and after WWI – marked by an unwillingness to lead. The United States was now keen to take the torch and pave the way for a post-WWII global political economy. In fact, the Bretton Woods institutions came about as the United States stepped into a leadership role, and several thinkers came together with ideas ready to solve major world issues.

Bretton Woods certainly involved a clash of interests, but ideas were consequential. Since the United States was the largest creditor nation, whereas the United Kingdom was a debtor nation dependent on credit from the United States – paralleling the Lend-Lease Agreement – the US vision could trump that of other countries. However, beyond the US position, White's gold-centric ideas and Keynes's wish to see a declining role for gold, as well as their disagreements on creditor versus debtor adjustment and international management of a reserve currency, directly clashed as well. White and Keynes's differences of opinion were consequential for the outcome. Bretton Woods was a battleground for both interests and ideas.

The Bretton Woods conference was organized as follows. The Plenary Session was the main body of the conference. It convened at the beginning and end of the conference to confirm the decisions of the three commissions. The major work was done in the commissions: White chaired Commission I, which dealt with the IMF; Keynes chaired Commission II, which dealt with the Bank; and Mexico's Eduardo Suarez chaired Commission III, which dealt with other means for cooperation. The Drafting Committee of each Commission focused on proper wording of clauses based on their discussions. As Chairman of Commission I, White designated a "Special Committee" which would discuss matters on which the commission struggled to agree.¹ This allowed this small group of advisors to settle some matters of importance out of public view.

¹ Van Dormael, A. (1978). *Bretton Woods: Birth of a Monetary System*. London: Macmillan, 177.

White approached the administration of the conference strategically, viewing it as key to achieving the outcome he wanted. This extended to all aspects of the conference, be it the secretariat, the role of a chairman, or commission proceedings. Despite the Anglo-American intellectual force — the United States alone had a technical team numbering 33 — the real power came from the fact that the United States had the largest number of conference secretariat (39 members) and the world's largest gold reserves. A secretariat of Americans helped to carry the conference's organization, wrote transcripts of discussions, and brought the wording of the final agreement as close to US interests as possible. White (or his trainees) had trained this large American secretariat in Atlantic City.

Further, in a conversation with Morgenthau, White noted that a chairman should “prevent coming to a vote on matters which he doesn't wish to come to a vote on, and in general [arrange] the discussion in such a way that we are never caught with an agreement among the Commission on something we don't want”.² This foreshadowed White's own actions as a chairman: he stepped out of his monitoring role to join the discussion when he deemed the matter to be crucial.

Beyond the existence of the aforementioned Special Committee, White's strategic approach to conference organization also applied to commission proceedings. At a meeting of American delegates to discuss procedures on July 13, White told Dean Acheson and others that, when faced with disagreements in Commission I, they should “immediately [refer] it to the ad hoc committees, created especially for that purpose, to refer back to the Fund Commission,” which was chaired by White, so “not to the committees.”³ White went on to say, “I don't see how anything could be simpler or more effective, and it seems to me to be working perfectly.”⁴ From the beginning, White optimized the administration of the conference to help him to reach his goals most effectively.

Bretton Woods transcripts were in fact meant to remain private. The rules agreed upon for the conference were that “printed minutes of conference meetings would not attribute positions to particular country delegations except by request of the delegations.”⁵ The proceedings of the conference, which were later published in two volumes by the State Department in 1948, include mostly the minutes rather than the transcripts. Kurt Schuler and Andrew Rosenberg's edited book of transcripts, to which I mostly refer as a primary source for this chapter, provides a full glimpse into private words now made public.

Like the previous chapter on Atlantic City, in this chapter, I again trace the role of gold in the negotiations. I also survey important further topics discussed — such as quotas, voting power, sterling balances, and gold depositories — which are not directly relevant to gold but nonetheless important for the American vision of a post-WWII global monetary system. At Bretton Woods, Commission I's discussions provide the most material on the importance of gold. The proceedings and transcripts for Commission II include solely a few points related to gold. Commission III has parts focused on silver, which I include. Hence, the chapter is mostly focused on material from Commission I and Commission III.

² Diary entry, July 1–3 1944, Volume 749, 210–211, Diaries of Henry Morgenthau, Henry Jr. Franklin D. Roosevelt Library, Hyde Park, New York.

³ Diary entry, July 12–13 1944, Volume 753, 137, Diaries of Henry Morgenthau, Henry Jr. Franklin D. Roosevelt Library, Hyde Park, New York.

⁴ Ibid., 138.

⁵ Schuler, K., & Rosenberg, A. (2013) *The Bretton Woods Transcripts*. New York: Center for Financial Stability, 1.

Commission I and its Committees

Commission I began with the understanding that there was a shared goal. Present nations, all exhausted by the vicissitudes of speculative capital, saw the IMF as a system through which members aimed for convertibility for current-account payments, for instance, for trade, as well as controlled speculation caused by capital accounts. Devoted to the IMF, Commission I discussed quotas (subscriptions to the Fund's capital), voting power, and parities, among other issues.

Under Commission I, there were four committees. Committee 1 (Purposes, Policies, and Quotas of the Fund) discussed the contested issue of quotas. Committee 2 (Operations of the Fund) took on deciding and changing par values (exchange rates) in terms of gold and other currencies, as well as terms of lending. Committee 3 (Organization and Management of the Fund) Committee 3 debated executive directors and voting procedures. Committee 4 (Form and Status of the Fund) focused on "how the piece of paper that was the IMF agreement would work, rather than... how the IMF as an organization would work."⁶

At Commission I's first meeting which took place on July 3, White started off by laying out the beggar-thy-neighbor, zero-sum economic policies of the interwar years and expressing his wish for more harmonious policies, for which the conference could pave the way. He argued that the economic warfare of the 1930s, whereby each country fended for its own short-term economic interests, was destructive to both national and global welfare. If continued, economic warfare would only destroy global trade and exacerbate unemployment. The highest benefits could only be achieved through multilateral arrangements, and the IMF could provide a permanent institution for cooperation. It would advocate for "exchange rate stability; [and] assure multilateral payment facilities; help lessen international disequilibrium; and give confidence to member countries."⁷ Overall, it would provide the stability required for nondiscriminatory and multilateral trade, and a harmonious international political economy.

At Commission I, Committee 1's first meeting, which took place on July 4 at 10am, among other issues, Article I, Section 2 of the Joint Statement on the purposes of the IMF was considered. Jeremy Raisman, a banker and a British colonial administrator in India as Minister of Finance, advocated for India's interests when he proposed to incorporate a promise to develop poorer countries economically into the official purposes of the IMF. Tingfu Tsiang, as chairman of Committee 1, agreed with Raisman's proposal, "provided that [it did] not enlarge the purposes of the IMF as listed in the Joint Statement."⁸ Throughout the conference, several other developing countries argued that they wanted the Fund to have a development focus, while others said that this should solely be the responsibility of the Bank.⁹

At Commission I, Committee 1's second meeting to settle abnormal indebtedness due to WWII, which took place later on July 4 at 4pm, Shanmukham Chetty of India proposed to add to the purposes of Fund the Alternative G, which read as: "to promote and facilitate the settlement of abnormal indebtedness arising out of the war."¹⁰ Making this proposal, India referred to "the payments it ha[d] received in pounds sterling from the UK for war supplies, which because of exchange controls it [could] only use to buy goods within the 'sterling area' – the countries that

⁶ Ibid., 20.

⁷ Ibid., 42.

⁸ Ibid., 302.

⁹ For more on developing countries at Bretton Woods, see: Helleiner, E. (2014). *Forgotten Foundations of Bretton Woods: International Development and the Making of the Postwar Order*. Ithaca, NY: Cornell University Press.

¹⁰ Schuler & Rosenberg, *The Bretton Woods Transcripts*, 321.

use the pound sterling as their anchor currency – and not from outside countries, such as the United States.”¹¹ Chetty emphasized the matter’s gravity, commenting that any monetary plan would be impossible without accounting for this kind of indebtedness. Egypt agreed, as it also had a large sterling balance that it wanted to convert as soon as possible. The Egyptian delegation in fact had proposed – yet not in good time – a similar amendment which would have added the words, “to promote multilateral settlement of foreign credit balances accumulated during the war.”¹² Abnormal indebtedness would continue to be a major clash point, with India and Egypt on one side and the British on the other.

Emmanuel Goldenweiser of the United States, a high-profile economist in the US Federal Reserve System, then took the floor. Though he recognized the matter’s importance, he wanted it to be excluded from the current drafts. He argued that facilitating exchanges was a large enough task, and the IMF could therefore be incapacitated if it was also given the responsibility of sorting abnormal indebtedness, particularly because the amounts were very large. Further, “prewar indebtedness and indebtedness during the war present[ed] problems which need[ed] entirely different treatment of adjustment of arrangement, and [were] not a question of current exchanges which ar[o]se out of current rates,” which Goldenweiser argued was “the purpose of the Fund.”¹³ France and the United Kingdom agreed with the United States. Lionel Robbins of the United Kingdom clarified that though his nation recognized the importance of the matter and wished to find a solution, they did not think that it should be the Fund’s task. Rather than having the Fund “start on its career waterlogged with stupendous heritage of the past,” Robbins believed that creditors and debtors could solve the problem mutually.¹⁴ The United Kingdom, very much concerned with the pound sterling’s postwar value, wanted like to postpone the matter of large sterling balances as much as possible. The chairman decided to refer the matter to Commission I.

At Commission I, Committee 1’s July 5 meeting, it continued to consider Article I, the purposes of the IMF. Goldenweiser reported that the Drafting Committee had tried to appease the Australian and Indian delegations, who thought that there was originally too-great an emphasis on balance of payments and more emphasis was needed on employment and development. Yet again, this shows that developing countries wanted the Fund to have a development leg as well and did not wish to leave this major issue solely to the Bank.

Next, the committee considered “what minimum share of quotas must be paid in gold.”¹⁵ The article with regard to initial payments read, “the obligatory gold subscription of a member country shall be fixed at 25 percent of its subscription (quota) or 10 percent of its holdings of gold and gold convertible exchange, whichever is the smaller.”¹⁶ Importantly, this underlines gold’s importance to the Fund as, ultimately, a gold subscription was a required element. The proposed Alternative A included the caveat that if a member was occupied by the enemy and not in control of its holdings, they would have an extension on this requirement. The committee agreed with Alternative A. The interest in such a clause shows yet again that many countries were interested in holding onto their gold as much as possible, and occupied countries even more so, as they had been devastated by the war.

¹¹ Ibid., 309.

¹² Ibid., 322.

¹³ Ibid., 323.

¹⁴ Ibid.

¹⁵ Ibid., 328.

¹⁶ Ibid., 342.

The Iraqi delegate pointed out that Iraq had no gold holdings. Iraq's foreign exchange reserves were in sterling. Therefore, whether or not Iraq had gold convertible exchange would be based on the definition of that the term. The delegate asked whether "the country holding no gold and no convertible exchange contribute[d] nothing under this [article]." ¹⁷ The United States saw it as "a purely mathematical question: 10 percent of nothing is nothing." ¹⁸ Therefore, they suggested that Iraq pay in pound sterling or Iraqi dinars.

At Commission I, Committee 3's July 5 meeting, among other issues, the voting procedure for the IMF Board of Governors was discussed. There were two proposals. The first, Alternative A, submitted by the United States, proposed that "every country [should] receive a minimum number of votes... [with] further voting power... distributed proportionally to quotas paid in... [and] countries that borrow from the IMF suffering some reduction of voting power." ¹⁹ Ansel Luxford, who was the US Treasury's chief legal advisor, explained that this would give smaller countries more power through base votes versus strict proportionality. Hence, voting power would not be determined by quotas alone, as each member would have the same number of base votes and votes in proportion to its quota. The second, Alternative B, submitted by the British, suggested that voting power should be strictly proportional to quotas. Upon further discussion, seeing a consensus emerge for the American alternative, the British withdrew their proposal. As the would-be economic and political hegemon of the post-WWII world, the United States could be generous. Under any voting arrangement, it would have the most votes, and the United Kingdom was perhaps ready to let go of its proposal easily as it would have the second-most.

Next, Luxford proposed a voting penalty system for countries that drew heavily from the Fund. To adjust for that, he recommended "a number of votes modified from its normal" and illustrates it as follows. ²⁰ A member would receive one more vote each time \$200,000 (net) of its currency was bought by other member countries out of the Fund, while the country taking that net time \$200,000 would lose a vote.

Ole Colbjørnsen of Norway felt "horried by the spirit" of this proposal. ²¹ To Colbjørnsen, it meant a "distinction... between the virtuous and the sinful, [with] the virtuous being those who do not use the Fund and the sinful being those who use the Fund." ²² He argued that, eventually, the "virtuous" members would end up with more votes than the "sinful" ones. This conception, which would involve punishing members who used the Fund, worried Colbjørnsen. Luxford responded by saying that morals, sinful or not, were the wrong terms in which to think about the Fund's functions. The Fund, as an international organization, would have "both political and economic phases." ²³ The document merely attempted to merge the two. From an economic and business perspective, the Fund would be just like a credit institution whereby "the more that any business borrows... the more that credit institution wants to have a voice in what they are saying." ²⁴ As countries borrowed from the Fund, it would be in the Fund's interest to restore those amounts to have enough liquidity for the next emergency.

Leon Baranski of Poland pointed out that if Poland initially used a quarter of their quota, they could lose all of their voting power in one year. He saw no justification for penalizing the

¹⁷ Ibid., 343.

¹⁸ Ibid.

¹⁹ Ibid., 465.

²⁰ Ibid., 469.

²¹ Ibid., 470.

²² Ibid., 471.

²³ Ibid.

²⁴ Ibid., 472.

members using the Fund for the very reasons why the Fund was to be established in the first place. Nonetheless, even if penalization was to be accepted, the extent of it as proposed by the United States would be too big, in his view. In response, Luxford argued that if Poland was to use 25% of its quota, then “the reduction in its quota would only be 12 ½ percent of its votes.”²⁵ Therefore, even if Poland used 100% of its quota, it would only lose half of its votes. Sixto Duran of Ecuador supported the US proposal for voting penalties, seeing it as necessary safeguarding for the Fund which could otherwise be eroded. For Ecuador, a decrease in voting power would be a corrective measure. Te-Mou Hsi of China agreed in principle, yet recommended that they change \$200,000 for \$2 million, hence lessening the penalty. Wilfried Eady of the United Kingdom suggested that these measures might be too harsh. He suggested that if the United States “[felt] that something must be done to the country which [became] in credit to the Fund to weaken its voting position... whether it [was] not simpler and better to say that the country involved [did] not have a vote.”²⁶ Luxford responded that the figure would be open to Committee’s recommendation. As for the British suggestion, the United States considered it “a little severe to deprive [countries] of their whole vote.”²⁷ Mexico agreed with the United States in principle. Antonio Espinosa de los Monteros, president of its development bank and a director of its central bank, saw it as essential that a country to which the Fund had lent a lot of money should have less say over the Fund’s actions. To him, creditors should have more say than debtors. Other countries continued to express opinions. Greece thought that countries should not be penalized for getting help from the Fund. Ethiopia supported the voting penalty proposal as it, like Ecuador, considered it a safeguarding issue for the Fund against debtors.

Allan Fisher of New Zealand spoke against the voting penalty, citing that, first, a voting penalty in practice would be very complicated, and an arbitrarily-timed vote would have a different outcome depending on who had what voting power that day. Second, if a voting penalty was applied to debtor countries, then creditors would have outsize influence. Referring to the United States without explicitly naming it, Fisher contended that if the proposal passed, a huge Fund contributor could increase its voting power by 50%. This, Fisher underlined, would be a matter of legitimate concern. For instance, “the rather paradoxical situation might arise that just at the moment when the biggest contributor to the Fund was on the verge of being declared a country whose currency was technically scarce from the point of view of the operations of the Fund,” it would see its voting power increase.²⁸ The likelihood of the United States borrowing from the Fund was very low, and hence its large voting power would continue to increase, meaning that it would essentially control the IMF. The proposed voting penalty clause would fully enshrine American dominance over the Fund.

At Commission I, Committee 2’s July 5 meeting, it considered among other issues Mexico’s proposal to “allow ‘silver-hoarding countries’ – those where silver coins are a large share of the currency – to purchase (borrow) another member’s currency in exchange for silver, up to a value of 80 percent of their silver hoardings.”²⁹ Further, Espinosa de los Monteros explained that the term “silver-using nation” meant that a nation traded normally with silver. The idea was to distinguish between using and hoarding. Having given these answers, he made a lengthy speech delineating the delegation’s reasons for the proposal. He claimed that Mexican interests in the

²⁵ Ibid.

²⁶ Ibid., 479.

²⁷ Ibid., 480.

²⁸ Ibid., 482.

²⁹ Ibid., 395.

matter did not come from the fact that they were a large silver producer. Rather, Mexico's goal was to voice a strictly monetary problem. Mexicans had been hoarding silver coins for centuries. Banking and fiat currencies were not yet saving habits among its people. As such, Mexicans bought silver when its income was high and returned it to the central bank when the economy was in a downturn and they needed to draw on their savings. This required the Mexican central bank to "invest heavily in silver coins during the upward trend of a cycle."³⁰ Conversely, it needed silver in foreign markets during a downward trend. This caused the central bank to lose "not only the difference between [the] buying and selling prices, but also the cost of melting."³¹ Therefore, the country needed to invest its gold and gold-convertible currencies in silver in upward cycles and sell when the peso needed supporting. In doing so, Mexico was always worse off. This problem, Mexico felt, was common to many countries. Mexico wished the Fund to extend credit to those "silver-hoarding" nations.

Peru agreed with the proposal. The Indian delegation asked how hoardings could be determined accurately. Espinosa de los Monteros responded that the Fund would only deal with central banks. Hence, "the silver funds offered by the [central] bank to the Fund [would be the] collateral guarantee."³² The Committee decided to come back to this proposal at its next meeting. Mexico's proposal was designed to ensure that, rather than being in a constant cycle of buying and coining and melting and selling silver, "whenever a silver-hoarding country [was] running [short of foreign exchange] with which to maintain the parity of its monetary unit, the Fund would provide that exchange as a credit, with the understanding that all the risks due to the fluctuation in the price of silver [would] remain with the borrowing country."³³ Mexico wanted to see a proper role for silver in the post-WWII global monetary system.

In his diaries, Lionel Robbins wrote of Mexico's silver stance that "a new difficulty has developed."³⁴ He recorded their organization of a silver bloc and their desire for the quota to include silver contributions. This, he asserted, was "totally unacceptable" to the United Kingdom and "would [have] render[ed] the whole agreement derisory."³⁵ He observed that the Americans did were not strongly opposed to the Mexican stance and were navigating it "by obscure deals in the *couloirs* of the Conference."³⁶ The American decision to handle the silver issue carefully spoke of their concerns for congressional support.

On July 5, the Egyptian delegation issued a memorandum to be submitted to Commission I, Committee 2. Though there is no referral to it in the Committee's meeting minutes, the piece speaks of Egypt's views on finding a role for gold in the global monetary system. Egypt argued for "an international standard of value, which... should be that of 10 (ten) grams of fine gold at the seat of the Fund as of a date to be agreed."³⁷ They proposed calling this the "*val*", which could be divided into "millivals", "kilovals" (thousands), and "megavals".³⁸ Egypt viewed gold as the fundamental common denominator of value and guarantee of stability.

³⁰ Ibid., 410.

³¹ Ibid.

³² Ibid., 412.

³³ Ibid., 411.

³⁴ Robbins, L. (1944). "Lionel Robbins: Bretton Woods, June – August 1944". In S. Howson & D. Moggridge (Eds.), *The Wartime Diaries of Lionel Robbins and James Meade*. New York: Palgrave Macmillan, 156-220, 174.

³⁵ Ibid.

³⁶ Ibid.

³⁷ United States, Department of State. (1948). *Proceedings and Documents of the United Nations Monetary and Financial Conference* (Vol. I). Federal Reserve Bank of St. Louis, 165.

³⁸ Ibid.

Commission I, Committee 1 began its July 6 meeting with its Drafting Committee's report. New Zealand, India, and Australia had argued that the IMF's purpose should emphasize economic development. This would mean accepting India's proposed amendment to include the words, "to assist in the fuller utilization of the resources of economically underdeveloped countries."³⁹ The Committee accepted the Drafting Committee's recommendation on the matter "with an added clause emphasizing that the IMF should be guided by the purposes in Article I and with the proviso that India may bring up its reservation for consideration by Commission I if it wishes."⁴⁰ Though this was not a gold-specific article, India's continuous points about sterling balances and the Fund's development purposes shows its resolve to have a say in post-WWII international political economy.

The Committee then turned to Alternative H, which Egypt had proposed to add to Article I. It stated that the Fund should "promote multilateral settlement of foreign credit balances accumulated during the war."⁴¹ The Egyptian delegate, aiming to settle blocked wartime balances, explained how this related to its own economic status. Further, he referred to the US proposal for blocked balances in the July 10, 1943 draft for the Fund. In support of Alternative H, A.D. Shroff of India presented India's economic calamities. He also referred to an earlier British draft for a clearing union. Shroff wished the Fund to "provide at least some machinery for converting a portion of the blocked balances into liquid form."⁴² Both India and Egypt had accumulated sterling credits during the war, and India therefore supported Egypt's proposed alternative. Sterling balances were a crucial issue for both nations.

Some others dissented. Poland opposed, emphasizing that though Germany owed them debts, they did not want this to concern the Fund. On behalf of the United Kingdom, Lionel Robbins reassured the Indian and Egyptian delegates that his country knew that the war had cost them "in blood as well as in material resources."⁴³ Yet, he did not see this as the Fund's concern, either. Goldenweiser supported Robbins while still highlighting US awareness of the problem. He pointed to "Article IV, Section 1... on 'Capital Transactions,' which provide[d] that while the Fund's resources [were] not to meet a large outflow of capital, it [was] not intended to prevent the use of the Fund's resources for capital transactions of a reasonable amount."⁴⁴ Going beyond this goal would be unwise, according to Goldenweiser. Andre Istel of France agreed with Robbins, Goldenweiser, and the Polish delegate, and said that Germany also owed them debts for which they were not appealing to the Fund. Tsiang confirmed that China held the same position. Overall, Poland, the United Kingdom, the United States, France, and China opposed Egypt's proposal so as not to burden the IMF. Tsiang suggested referring Alternative H of Egypt with a summary of the Committee's discussion to Commission I.

Then, the Committee discussed the proposal to reduce the gold subscription of those countries that had been occupied. Countries wish to hold onto their gold as much as possible. The USSR and Belgium supported the proposal, and the chairman referred the matter to Commission I.

On July 7, Dr. J. E. Holloway of South Africa issued a statement to the press, which outlined the delegation's views on gold in the global monetary system. Holloway argued that, given

³⁹ Schuler & Rosenberg, *The Bretton Woods Transcripts*, 346.

⁴⁰ *Ibid.*, 345.

⁴¹ *Ibid.*, 347.

⁴² *Ibid.*, 348.

⁴³ *Ibid.*, 348.

⁴⁴ *Ibid.*, 348-349.

the interwar experience, there should be some flexibility and hence some way to change the measure of value over time.⁴⁵ He hence contended that the Fund should “make available the exact data by which such adjustments [could] be accurately determined.”⁴⁶ He also mentioned that, while South Africa remained a large gold producer, the Fund could access data on the relationship between commodities and gold.⁴⁷ For instance, “if... more gold [were] required, a rise in price [would bring] within the margin of payability large bodies of low grade ore.”⁴⁸ He emphasized the relationship between production and price by pointing out, “Johannesburg is 5700 feet above sea level,... a large number of mines are working well below sea-level and... the amount of gold extracted from one ton of ore brought up from the bowels of the earth to Johannesburg and finely crushed, is appreciably less than the weight of an American quarter-dollar, and yet it pays.”⁴⁹ He therefore illustrated that “a disturbance of the relationship in favour of commodities immediately depresses below the level of payability millions of tons of the world’s gold-bearing ore.”⁵⁰ Overall, he argued that these indices would guide the Fund regarding the relationship between global currencies and gold. In South Africa’s conception, gold was the key arbiter of value. Though the meeting minutes do not particularly highlight South Africa’s concerns for gold, Ed Conway, for instance, wrote that South Africa did indeed lead the gold lobby at the conference.⁵¹ In his instruction to American delegates, White pointed out that South Africa was the biggest gold-producing country, followed by the United States, Russia, and Canada.⁵²

At Commission I’s July 10 meeting, India voiced concerns about its sterling balances, and as before, they clashed several times with the British. Referring to the IMF’s draft agreement, A.D. Shroff of India, an industrialist, wanted “the facilitation of multilateral settlement of foreign exchange accumulated during the war” to be an official purpose of the IMF.⁵³ India presented the proposal as a general goal, yet it stemmed from India’s particular circumstances. The problem for India was that “the United Kingdom was paying India in pounds sterling for war material, but because of wartime exchange controls, the funds were only readily usable to buy goods from the ‘sterling area’ – the countries that used the pound sterling as their anchor currency.”⁵⁴ While India wanted to ensure that after the war, the United Kingdom would slacken the rules and allow India to buy goods in sterling outside the sterling area, the United Kingdom, United States, and France all saw this as more suited to bilateral negotiation and blocked the proposal. The proposal failed. In this meeting, Bernstein appears in the transcripts for the first time. As the American delegate who did the most to draft the IMF agreement, as well as a close associate of White, Bernstein had a thorough understanding of the draft’s technical aspects and hence was the most crucial individual at the conference besides White and Keynes. He would represent the Treasury’s views.

Later, the issue of depositories comes up. Ervin Hexner, Reporter of Committee 3, explained that the Committee had discussed three written alternatives and one oral alternative. The

⁴⁵ United States, Department of State. (1948). *Proceedings and Documents of the United Nations Monetary and Financial Conference* (Vol. 2). Federal Reserve Bank of St. Louis, 1162.

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Ibid., 1162-1163.

⁵⁰ Ibid., 1163.

⁵¹ Conway, E. (2017). *The Summit, Bretton Woods, 1944: J. M. Keynes and the Reshaping of the Global Economy*. New York: Pegasus Books, 261.

⁵² Diary entry, July 1–3 1944, Volume 749, 8, Diaries of Henry Morgenthau, Henry Jr. Franklin D. Roosevelt Library, Hyde Park, New York.

⁵³ Schuler & Rosenberg, *The Bretton Woods Transcripts*, 64.

⁵⁴ Ibid.

first alternative proposed that at least half of the gold depositories should be placed in the country holding the largest quota. The second proposed that half of the gold reserves should be distributed among the four largest quota holding countries. The third changed this from four to five or more countries. The fourth was “rather strict... and [gave] the Fund almost no discretion.”⁵⁵ It suggested that “at least one-half of the holdings of gold of the Fund shall be shared in the designated depository in the member country in which the Fund has its principal office... [and] forty percent of holdings of gold of the Fund shall be held in depositories of the remaining three members.”⁵⁶ Hence, 90% of the gold (and other assets) would be held under strict definitions. After Hexner’s speech, the delegate from the Netherlands took the floor and argued that such strictness would be imprudent. Two considerations were essential. First was the “safety of the place where the gold is held, and the other the convenience of the place.”⁵⁷ Both were difficult to foresee. A rigid distribution would tie the Fund’s hands. Therefore, it would be best to leave the decision regarding where the gold should be held to the directorate of the Fund. South Africa agreed with Netherlands. Later discussions showed that the United States, as the country with the largest gold holdings, was very keen to hold the IMF’s gold.

Commission I’s July 13 meeting started with committee reports. The Commission turned to the issue of convertibility, specifically the proposed amendment to the IMF Articles of Agreement: “no member shall impose restrictions on the making of payments and transfers for current international transactions without the approval of the Fund.”⁵⁸ With regard to this Article IX, Section 5 on “avoidance of restrictions on current payments,” Shroff requested that the United Kingdom interpret how this would affect trade between countries that generally used sterling.⁵⁹ Dennis Robertson of the United Kingdom responded that sterling currently acquired during such transactions could be converted into rupees or other currencies. Following up, Shroff asked whether this would come into effect as soon as the Fund commenced. To this, Robertson answered in the negative, stipulating that it would only follow after a member had “accepted the obligation of convertibility.”⁶⁰ As such, none of this would apply during the transition period. Shroff found the answer “not very satisfactory.”⁶¹ The disagreement between the United Kingdom and India vis-à-vis sterling balances would continue to bring tension.

At the same meeting, Kyriakos Varvaressos of Greece, as Reporter of Committee 1, took the floor. The first issue that he raised for the Commission was exactly what date members’ gold holdings and gold convertible exchange should be established. Shroff of India saw this as an opportunity to bring up the question of definition for gold convertible exchange, and for this, he called on the US delegation. While Robertson denied that the United States was at fault for the delay of a definition, he proposed that “the criteria of payment of official gold subscription should be expressed as official holdings of gold and United States dollars.”⁶² He continued that gold convertible exchange was hard to define; the US position was that countries whose reserves consisted of gold and US dollars would have an advantage when it came to initial Fund subscription payments. Bernstein then followed up saying that defining gold convertible exchange would be a lengthy process. On the other hand, member countries could purchase gold with dollars

⁵⁵ Ibid., 83.

⁵⁶ Ibid., 84.

⁵⁷ Ibid.

⁵⁸ Ibid., 94.

⁵⁹ Ibid., 96.

⁶⁰ Ibid., 97.

⁶¹ Ibid.

⁶² Ibid., 112.

and purchase dollars in many other currencies. He therefore stated that “it has been felt that it would be easier for this purpose to regard the United States dollar as what was intended when we speak of gold convertible exchange.”⁶³ The chairman then passed this question to a special committee without objection.

The Bretton Woods monetary system, as linked to USD and only indirectly based on gold, was able to arise in 1944 because at the time the USD was the only currency that held some convertibility to gold, which was internationally accepted and held. It was easy for Bernstein to link the USD with gold when he was asked the question. This exchange was crucial, as it gave rise to a monetary system in which USD was as good as gold. Robertson let it happen. Keynes was not present at this meeting, and one wonders what he would have said in response to India’s question and the American interpretation. This exchange planted the seeds of what Valéry Giscard d’Estaing, France’s Minister of Finance, would describe as the dollar’s “exorbitant privilege” as an international reserve currency in the 1960s. Since the US dollar would be “considered as good as gold”, other countries would want to hold it in reserve for payment settlements and to protect against financial challenges.⁶⁴ In contrast, the United States wouldn’t need to hold much foreign currency in reserve, and “it would earn ‘seigniorage’ profits from the interest on the assets it received in return for its non-interest-bearing currency.”⁶⁵ Furthermore, it could simply print money to buy more than it sold abroad, and therefore would not be a foreign exchange risk for most of its trade. Lastly, the United States would simply gain prestige. Steil argues that the above exchange “remade the old gold-exchange standard into a dollar standard – one that would endure to the present day.”⁶⁶

Boughton interprets the same exchange as a private agreement between Bernstein and Robertson due to Bernstein’s use of the phrase, “it has been felt that”.⁶⁷ Boughton deduces that they thought that an agreement with someone non-American would soften the suggestion. Boughton reinforces his argument with that fact that Lionel Robbins of the United Kingdom noted that “Robertson and Bernstein, who are very good friends, are continually in session. If the Conference comes to anything it will owe a great deal to their unremitting labours”.⁶⁸ Robbins later recorded that on the night of July 13, “Bernstein and Robertson sat up until past three and reached substantial agreement on most of the technical questions still outstanding”.⁶⁹ Whether or not there was a private agreement between Bernstein and Robertson, the aforementioned exchange singled out the dollar as the key currency even if it was not convertible in the true sense of the word, as mentioned by Keynes, and even if other currencies would later on become convertible. This exchange, “by an apparent sleight of hand,... put the dollar at the center of the new international financial order.”⁷⁰ The Articles of Agreement stated that “[t]he par value of the currency of each member shall be expressed in terms of gold as a common denominator or in terms

⁶³ Ibid., 113.

⁶⁴ Ibid.

⁶⁵ Ibid.

⁶⁶ Steil, B. (2013). *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order*. Princeton, NJ: Princeton University Press, 234.

⁶⁷ Boughton, J. M. (2019). “The Universally Keynesian Vision of Bretton Woods”. In N. Lamoreaux & I. Shapiro (Eds.), *The Bretton Woods Agreements*. New Haven, CT: Yale University Press, 77-94, 90.

⁶⁸ Boughton, J. M. (2022). *Harry White and the American Creed: How a Federal Bureaucrat Created the Modern Global Economy (and Failed to Get the Credit)*. New Haven, CT: Yale University Press, 202.

⁶⁹ Ibid.

⁷⁰ James, H. (1996). *International Monetary Cooperation Since Bretton Woods*. Washington DC: International Monetary Fund, 50.

of the United States dollar of the weight and fineness in effect on July 1, 1944.”⁷¹ In Jabko and Schmidt’s view, although gold has been overlooked in economic scholarship, the United States’s postwar monetary dominance came down to the fact that the dollar was convertible into gold.⁷²

Jabko and Schmidt also find it surprising that India deferred to the United States on this point, since there were still a British colony at the time and had almost nonexistent gold reserves. What it did have was a £1.5 billion, “which raised concerns about Britain’s ability to repay.”⁷³ Jabko and Schmidt account for India’s support for a gold-backed currency in the new global monetary system by viewing “gold as a long-standing pivotal practice of the international monetary assemblage.”⁷⁴ Gold, as has been discussed in this thesis, had by this time long been viewed as a symbol of money in both social and economic terms.

At Commission I’s July 14 meeting, Article III, Quotas and Subscriptions, was considered. Here, the question of the definition of gold convertible exchange arose again. Robertson wanted assurance that the definition would read as “ten percent of its net official holdings in gold and [US dollars]”, which confused the chairman.⁷⁵ Robertson continued that he wanted the previous suggested changes to be cemented, and he pointed out that the document said that, if a member approved an increase and these net official holdings were less than its new quota, the Fund could reduce the proportion of increases to be paid in gold. Bernstein argued that equating “gold convertible exchange” with “US dollars” would amount to the same thing since few other currencies could “meet this definition”.⁷⁶ Robertson eventually agreed, but wanted to use the phrase as “net official” rather than just “official”, to which Bernstein also agreed.⁷⁷ Here, Robertson and Bernstein took a further step and suggested replacing the term “gold convertible exchange” with “US Dollars” right away to ensure that the new definition was to be implemented in all required clauses of the agreement. As before, this exchange further solidified the USD as good as gold. Article III was then voted and approved unanimously with this amendment, to which the word “net” would later be added. This change to Article III was essential to the functioning of the gold exchange standard after Bretton Woods since it ensured that no other major currencies were gold-convertible.

Lionel Robbins noted in his diary on 15 July that the Americans and the Soviets had finally agreed on outstanding fund-related matters.⁷⁸ As Robbins recorded, they agreed first that “[Soviet Union would] receive a quota of 1200 and the right to contact out of the recapture clause as regards newly mined gold for five years.”⁷⁹ Second, the Soviets would concede the reduced gold subscription for nations that had been occupied. Robbins concluded that the Soviets had “won hands down” because they would save more from the recapture clause than the reduced gold

⁷¹ Horsefield, J. K. (Ed.). (1943). “Articles of Agreement”. *The International Monetary Fund 1945-1965: Twenty Years of International Monetary Cooperation* (Vol. 3). Washington, DC: International Monetary Fund, 185-214, 189.

⁷² Jabko, N. & Schmidt, S. (2022). “The Long Twilight of Gold: How a Pivotal Practice Persisted in the Assemblage of Money”. *International Organization*, 76(3), 625-655, 629.

⁷³ Ibid., 636.

⁷⁴ Ibid.

⁷⁵ Schuler & Rosenberg, *The Bretton Woods Transcripts*, 132.

⁷⁶ Ibid.

⁷⁷ Ibid.

⁷⁸ Robbins, L. (1944). “Lionel Robbins: Bretton Woods, June – August 1944”. In S. Howson & D. Moggridge (Eds.), *The Wartime Diaries of Lionel Robbins and James Meade*. New York: Palgrave Macmillan, 156-220, 185.

⁷⁹ Ibid.

subscription.⁸⁰ Robbins hence acknowledged “the value of being tough and insensitive – if at the same time you are strong.”⁸¹

At Commission I’s July 15 meeting, Robertson began by discussing Shroff’s appeals about India’s sterling holdings. At the July 13 meeting, with regard to Shroff’s query regarding whether their holdings would become “freely convertible” Robertson had answered in the affirmative for “sterling acquired as a result of current transactions... after the transition period”.⁸² On July 15, however, Robertson stated instead that “currently acquired sterling... [would] be freely convertible”.⁸³ He defined currently acquired sterling as “that which is coming into the hands of the exporter day by day as a result of transactions which are [part of its normal operations]”.⁸⁴ Without this clarification, acquired sterling might have included that resulting from things like goods exports. A heated exchange then took place between Shroff and Robertson. Shroff argued that the United Kingdom was “trying to put a time limitation” on India’s sterling holdings being freely convertible.⁸⁵ Robertson protested that, for India, “whose balance is the accrual of those export proceeds piled up in the form of central bank balances”, there would be a transition period, after which point they would be obliged to redeem their sterling balance.⁸⁶ It was therefore the United Kingdom’s prerogative to redeem in gold. Robertson gave two alternative conditions if the Indian authorities could prove that these balances had been acquired in the previous one or two months, or that the conversion was necessary to make an immediate payment. If the balance was recent, he suggested that it could simply be redeemed; but if it was several years old, it could only be retained if it would be withdrawn to buy goods or make other transactions. This would mean that it couldn’t be redeemed if it was going to be transferred elsewhere from London.

Bernstein was of the opinion that this would be even more advantageous to India, since those with sterling balances could convert what they currently acquired or else convert them for current transactions. This only excluded transfer balances, in his opinion, and he had no further questions about how other funds should be used as long as it was “in accordance with the provisions of the Fund in current transactions”.⁸⁷ The chairman made the United Kingdom’s suggested correction. Being able to convert sterling balances was crucial to India. The United Kingdom, on the other hand, did not want the sudden shock of major sterling balances converted to foreign exchange. This would put the sterling’s value at risk, causing further depreciation vis-à-vis the USD. The United Kingdom, in line with its interests, was trying to hold its ground in face of the United States as much as it could.

Next, the Commission discussed how to determine initial par values. Bernstein stated that “there shall be communicated to the Fund an initial par value based on the de facto exchange rates” which would remain in place unless an issue was raised and another suggested within 90 days.⁸⁸ For countries occupied by the enemy, there would be more lenient procedures and more to time report initial par value and limited operations. Discussion begins. Jack Holloway of South Africa believed that countries could not determine par values because they lacked the information to do so. As such, only “haggling and bargaining” would ensue as everyone wanted to be at an advantage

⁸⁰ Ibid.

⁸¹ Ibid., 185-186.

⁸² Schuler & Rosenberg, *The Bretton Woods Transcripts*, 178.

⁸³ Ibid.

⁸⁴ Ibid.

⁸⁵ Ibid., 179.

⁸⁶ Ibid.

⁸⁷ Ibid., 180.

⁸⁸ Ibid., 183.

and avoid devaluation.⁸⁹ Holloway hence suggested that all exchange parities should initially be for only two years or so, and then more settled ones could be determined. Bernstein differed. He believed that this would undermine the idea of using structured exchange rates to maintain stability. He argued that the nations represented at Bretton Woods only, had strong exchange rates and strong resources and systems propping up those exchange rates. Further, business was already being conducted on these exchange rates without problems. He therefore refuted Holloway's "provisional" idea which, in his view, "raise[d] a problem and... [did not] solve it."⁹⁰ His stance was born out of the United States' desire to fix exchange rates, that is, par values as soon as possible when it was most powerful, which would hence give them the largest bargaining power relative to other countries. The United States was powerful and wanted to stabilize the existing system. A vote was taken, and the Special Committee's report for fixing the par values was accepted by the Commission.

Next, the Commission took up the question of depositories; that is, where the IMF should hold its reserves of gold and other assets. Bernstein took the floor and reported that the Special Committee had that very morning voted to recommend "a new wording of the provision on depositories."⁹¹ This wording stated that the Fund should hold its assets with the five members with the largest quotas or another depository that it selected. At least half of its gold holdings should be held where the Fund's principal office was located, while at least 40% should be with the other four. The Fund should consider transport costs before transferring gold. The executive directors could transfer gold holdings to a suitable place in an emergency. Realistically, this would mean that 50% of gold would be held in the United States, and the rest would probably be distributed among the United Kingdom, France, and China. This again would confirm US dominance over the Fund. Wim Beyen of the Netherlands – who, pre-WWII, had been the president of the Bank for International Settlements – disagreed, "[finding] this clause a completely unnecessary and regrettable flaw on what is shown as the spirit of this conference and the document that will come out."⁹² He saw no reason for the clause. For one, selling gold would mean "re-shifting" for the Fund.⁹³ Further, he didn't see this idea as reflective of normal gold transactions, and he argued that it was impossible to predict where would be a safe place for gold in an emergency. He also laid out two further points. First, he wanted those with concerns about gold to have "a strong voice," even if the executive directors were sensible.⁹⁴ Second, he believed that this amendment would undermine the delegates' claims that the conference was held in the name of "expediency and justice."⁹⁵

At that point, White, as chairman, entered in the discussion, specifically asking the US delegation for a clarification. A US delegate underscored that the Special Committee had voted on this text, and that even though the Netherlands had expressed dissent throughout the conference, even more nations had agreed that new wording was needed to protect the Fund's gold holdings. They also agreed on the five-country plan. The delegate finished by reassuring the Netherlands that he shared their opinion that the Fund should act prudently regarding gold transfer and import costs. White as chairman then asked the delegate to confirm that this new wording would not

⁸⁹ Ibid., 185.

⁹⁰ Ibid., 186.

⁹¹ Ibid., 197.

⁹² Ibid., 198.

⁹³ Ibid.

⁹⁴ Ibid.

⁹⁵ Ibid.

restrain economic gold movement or lead to gold being moved for reasons that weren't economic, which the delegate did.

Canada agreed with Netherlands, arguing that "this limitation on the margin in the places in which they hold their gold is quite at variance with the general spirit of this document which we hope to issue from this conference."⁹⁶ Cuba differed. The reasoning was that because the Fund was not a business corporation but rather an international organization for which nations, upon joining, would have to "give up the sovereign rights to keep their gold where they please," would-be member countries would justifiably want to know where their gold would be held.⁹⁷ The Cuban delegate agreed with the Special Committee's formula because they found that there was enough chance for gold to be placed anywhere after half was placed in the principal office country. Belgium agreed with Netherlands and Canada. Ethiopia agreed with Cuba. The United Kingdom thought that the Netherlands and Canada were "[resting] upon very deep conviction and upon an accumulated weight of banking experience which should be fully considered."⁹⁸ Therefore, the British delegate recommended referring the provision back to the Special Committee for further discussion. Peru agreed with the United Kingdom and Netherlands.

White then unexpectedly took the floor. This was the first time that White temporarily left his administrative, monitoring duty as chairman to jump into discussion. While he sympathized with the Netherlands and Canada, he wanted to clear up what he saw as "a misinterpretation and a misunderstanding of the proposal."⁹⁹ He reiterated the proposal that gold should be held in the five countries with the largest quotas, plus a few more as the Fund saw fit, after which point gold would only be moved for the economic reasons with which all agreed. One future possible reason for the Fund to move gold would be a currency scarcity, and this would satisfy agreed-upon conditions. He therefore argued that those disagreeing were merely misunderstanding and urged everyone to accept the new wording so that they could move on to discussion of the Bank. As the issue was related to gold, White showed sensitivity. With the United States' gold location at stake, White wanted to close matter in favor of his country, using the excuse of the Bank and other matters.

Czechoslovakia seconded White's motion. Louis Rasminsky of Canada, as the reporting delegate, asked if the amendment could be read again and pointed out that only 10% of the holdings would be held somewhere other than the five countries with the largest quotas. White jumped in again to say that these countries have 90% of the gold anyway. He then requested a vote on whether or not to refer the wording back to the Special Committee. The motion was lost, and the wording was not referred back. Though it was decided previously that voting would be through unanimous decisions and there had to be consensus, White took the majority vote with show of hands and finalized the decision.

Next, the commission moved to the question of quotas. Fred Vinson of the United States, as the Chairman of the Committee on Quotas, took the floor to present the committee's report. He justified their recommendations through the problems arising from war, stating that their decision could not be boiled down to a simple, "uniform formula" and that the task had been difficult and relied on judgment.¹⁰⁰ He also highlighted the American data that had helped to inform their decision. For example, "in the initial stages, it was thought that the world total for the Fund should be \$10 billion, and that the aggregate quota for member countries, excluding neutral and enemy

⁹⁶ Ibid., 199.

⁹⁷ Ibid.

⁹⁸ Ibid., 200.

⁹⁹ Ibid., 200.

¹⁰⁰ Ibid., 211.

countries, should reach the figure of \$8 billion.”¹⁰¹ Overall, they wanted to find a formula to fix quotas using “on a slide-rule basis.”¹⁰² In efforts to determine such a formula, questions of period, trade, gold and gold convertible currencies, and national income had come up. The quota maximum was therefore announced as \$8.8 billion. Most of the figures were then increased accordingly. It proved “impossible, I repeat, impossible,” Vinson said, “to put a slide rule on the economy of forty-four nations and come and say that “this is it”.”¹⁰³ At this, he knew that many delegates would be unhappy but asked for cooperation. He therefore stated that Bretton Woods was “an experimental test, probably the firm time in the history of the world that forty-four nations have convened seeking to solve difficult economic problems.”¹⁰⁴ Realistically, although there were efforts to base the whole allocation on a specific formula, ultimately the quota allocations were decided through backroom bargaining.¹⁰⁵

As expected, many countries expressed their disagreement with their assigned quotas. Overall, delegates found their quotes too small and misrepresentative of their projected postwar economic status. Iran, for example, found its quota “entirely unsatisfactory and unacceptable.”¹⁰⁶ The Chinese delegate expressed severe disappointment on the half of their people that their quota was less than \$700 million, and declared it unacceptable. Similarly, Varvaressos wanted Greece’s quota to be reconsidered, as although the total had increased by \$800 million, its quota had remained the same. Beyen then outlined three main reservations. First, especially when considering future quota revisions, he did not see that accepting the current figure meant accepting the formula. Second, he thought that accepting this quota implied “that the total figure should not be changed.”¹⁰⁷ Third, he pointed out that the final draft was not binding as delegations would have to submit that figure to their governments, even if they signed that day. Then, Australia took the floor and stated that its quota would cause its nation problems, especially when “combined with the limitation of the annual drawings to 25 percent,” as they would have small dollar and gold reserves by the end of the war and would be dependent on the Fund’s support.¹⁰⁸ Australia’s currently assigned quota would not cover that need. India also expressed reservations, citing India’s both its economic importance and its size and population. India was more concerned with its relative quota vis-à-vis that of other countries than the absolute quota. Yugoslavia objected to its quota due to heavy destruction of the country during the war. Then, New Zealand made a very

¹⁰¹ Ibid.

¹⁰² Ibid.

¹⁰³ Ibid., 213.

¹⁰⁴ Ibid.

¹⁰⁵ It is important to note that politics was key to allocating quotas. For instance, Eric Rauchway points out that the IMF quotas were established not through a uniform formula, but rather through politics. “In the spring of 1943, White asked an economist in his division, Raymond Mikesell, to come up with a formula to calculate quotas,” Rauchway writes, “logically, any number of economic variables might go into the formula – gold holdings, volume of trade, and national income among them.” However, “White told Mikesell he did not care about logic or what went into the formula – just what came out.” Mikesell, in his memoir, stated that White “gave no instruction of the weights to be used, but I was to give to the United States a quota of approximately \$2.9 billion; the United Kingdom (including its colonies), about half the U.S. quota, the Soviet Union, and amount just under that of the United Kingdom; and China, somewhat less.” Mikesell further narrates that the quota formulations “were all political decisions... They reflected Roosevelt’s assessment of the importance of the Allied governments in the war... Mikesell knew politics trumped economics, and he did as he was told, producing a list of quotas that conformed to White’s request”. Rauchway, E. (2015). *The Money Makers: How Roosevelt and Keynes Ended the Depression, Defeated Fascism, and Secured a Prosperous Peace*. New York: Basic Books, 167-168.

¹⁰⁶ Schuler & Rosenberg, *The Bretton Woods Transcripts*, 213.

¹⁰⁷ Ibid., 215.

¹⁰⁸ Ibid.

long speech outlining its future possibilities for economic rejuvenation, its stance as a major commodities exporter regarding volatility and swings in commodity prices, and hence a desire to acquire a larger quota.

Significantly, White again temporarily abandoned his chairman role to say that, as per Article III, Section 2, Alternative A, quota conditions could be waived in exceptional circumstances. He then downplayed the importance of quotas, saying that they didn't reflect what assistance the Fund could give to those countries in need. He emphasized the Fund's flexibility and anticipated power of assistance. As such, the quotas would not prevent the Executive Committee from helping countries to purchase foreign exchange. The quotas were necessary for objectives such as measuring participation and "the economic and financial power of the members", but this was not to reflect what assistance a country might require.¹⁰⁹ White underlined that arriving at quotas was a tremendous task and that expecting them to be satisfactory to all was impossible. Nonetheless, he did not acknowledge the relationship between quotas and voting power, "the real underlying issue."¹¹⁰

Reservations continued. France expressed disappointment with its quota. The French delegate pointed out that "first of all, it was intended to establish quotas on the basis of mathematical arguments which it was supposed would be readily acceptable by public opinion."¹¹¹ In practice, however, quotas were decided on "negotiations among different nations and bargaining among other nations."¹¹² The delegation did not see proper correlation between Western European influence and value. As such, they wanted their quotas reconsidered and threatened to withdraw their participation otherwise. Ephrem Tewelde Medhen of Ethiopia made the same request, given Ethiopia's large population and potential. Delegations wished to get more just by claiming future possibilities. The French translator then requested to correct the statement above. The translator said, "I believe I interrupted it wrongly, and [should have said that] this matter could be reported to the government in Algiers, [and] it might be a fact that the government of Algiers [would then] request the delegation to reconsider its participation [in] the Fund" if quotas were not reconsidered.¹¹³

Canada, however, urged members to accept the quotas allocation as it was, given that determining the quotas was an extremely difficult task and that the Quota Committee had done well. They also pointed out that since these quotas were not permanent, and they could be changed once the Fund was in operation, the current quota distribution could be accepted for now. Once the Fund was active, if need be, quotas could "be adjusted far more equitably than in any process at this meeting on the basis of experience."¹¹⁴

White then jumped in and took the floor for a second time to make a speech accusing those not wishing to accept the quotas in a subtle way. His anger was particularly directed toward the French Committee. Given the Fund's objective of a more harmonized world devoid of economic warfare, "it is a little difficult to understand that one's participation in the... attempt to attain those objectives, would be to any significant degree influenced by the question as to whether or not you could buy [i.e., borrow] \$10 million or \$15 million worth more than a year over a period of four

¹⁰⁹ Ibid., 220.

¹¹⁰ Ibid., 207.

¹¹¹ Ibid., 220.

¹¹² Ibid.

¹¹³ Ibid., 222. Schuler and Rosenberg note as Footnote #243 that "Algiers at the time was the headquarters of the Free French government, most of France itself still being under German occupation."

¹¹⁴ Ibid.

years without any special permission from the Fund.”¹¹⁵ He conjectured that these reasons were political reasons for paying so much attention to who got more or less. He claimed to find the political grabs for advantages “difficult to sympathize with”.¹¹⁶ Finally, he argued that quota size should not be a decisive consideration since they were only one minor part of the Fund’s operations.

Some other countries appealed to the Commission to approve the quotas. Norway pointed out that there were other institutions besides the Fund that could help with balance of payments deficits. Institutions that provided short-term credit in the status quo would still be there. For instance, France would have strong enough credit to get a variety of support outside the Fund. The United Kingdom wished to accept the quota allocation as it was. Echoing Canada, the British delegate said that the current allocation was “practical” and that the Fund would be suitably flexible in future if adjustments were needed.¹¹⁷

Next, White took the vote on quotas. There was no consensus with ayes and nays voiced. Nonetheless, White declared the Quota Committee’s report as accepted without changes. Eventually, it was perhaps safe to say that the allocations made by the Quota Committee were acceptable enough for a majority of countries to approve, despite protests from others.

Then, the Soviet Union proposed “to allow countries substantially damaged by the war to reduce their initial gold payments by 75 percent”, by which it meant occupied or attack countries.¹¹⁸ The suggested amendment aimed “to reduce the gold contribution of these countries to between 75 and 50 percent of the amount they [would] otherwise have to pay, depending on the extent of the damage to each country by enemy occupation and hostilities.”¹¹⁹ The Soviet delegation said that it could withdraw this amendment if it was re-added to the Joint Statement. The Joint Statement provisions read as follows: “The obligatory subscription of a member country shall be fixed at 25 percent of its subscription (quota) or 10 percent of its holdings of gold and gold-convertible exchange, whichever is the smaller.”¹²⁰ A 25% reduction was proposed, making the figure 75%.

There were mixed reactions. The US delegation opposed. Canada also opposed, emphasizing that this didn’t offer much to countries that had been occupied and invaded. For instance, it didn’t increase their drawing power. As such, the countries’ statuses wouldn’t change, and the Canadian delegation found the proposal counter to the aims of the Fund. Belgium supported the USSR’s amendment. Cuba opposed, citing that the proposal “would tend to weaken the financial position of the Fund” and that the Bank itself could help the invaded countries.¹²¹ The French delegate supported the USSR’s proposal. To Canada’s argument, they responded that “it is not the fact of devastation [that should allow countries to pay less]; it is the fact that our gold is mortgaged for purposes of reconstruction, and as this gold is going for capital transactions, it is not being advanced for current transactions.”¹²² Yugoslavia, the Netherlands, Luxembourg, Norway, and Greece supported the USSR’s proposal. White took the vote. There was no consensus with ayes and nays voiced. Then he called for a show of hands. The USSR lost the proposal 22 to 12.

¹¹⁵ Ibid.

¹¹⁶ Ibid.

¹¹⁷ Ibid., 224.

¹¹⁸ Ibid., 207.

¹¹⁹ Ibid., 235.

¹²⁰ Ibid., 236.

¹²¹ Ibid., 238.

¹²² Ibid.

At Commission I's July 18 meeting, the question of location of offices was discussed. Bernstein, as Chairman of the Special Committee, laid out two alternatives for the commission's consideration, while emphasizing that the Special Committee was neutral between the two. Alternative A, submitted by the United States reads as follows: "The principal office of the Fund shall be located in the member having the largest quota. An agency or branch office may be established in any member or members."¹²³ Alternative B, submitted by the United Kingdom read as follows: "The location of the principal office of the Fund shall be decided by the Fund at the first meeting of the Board of Governors, which shall take place in the territory of the member having the largest quota."¹²⁴ The United Kingdom's proposal was again one intending to dilute American dominance over the Fund. The British delegation then withdrew Alternative B. It stated that the location of the Fund's principal office needed to be decided in tandem with the other international bodies' locations. As such, it found this discussion to be "premature".¹²⁵

The Cuban delegation recommended the adoption of the US proposal, Alternative A, citing the significance of the principal office's location. For Cuba, it made sense to locate the office in the United States because of its geographic centrality compared to member nations, the fact that it originally ideated the Fund, and because it was the center of international trade transactions. Further, the Cuban delegation "[feels] that since the amounts to be kept in depositories – at least in the initial stage of the Fund, the gold [is] to be, at least 50 percent, in the country where the principal office is located," thereby supporting the American proposal.¹²⁶ Ecuador agreed. White took the vote. Alternative A passed. Therefore, the largest economies of the world also retained symbolic control of the IMF's deposits, as they were the countries where it would hold the bulk of its gold and other assets. This would naturally be the United States, meaning that this clause was again in line with the US interests.

At Commission I's meeting on July 19, the USSR proposed several amendments, and the commission rejected three of its proposals. The first one would have reduced members' initial gold contributions. The second would have prevented the IMF from publicizing a report on a country without their consent. The third "would [have] result[ed] in the countries with the four largest quotas initially keeping the gold they had contributed in their national depositories rather than shipping it to the United States."¹²⁷ The Soviets wished to preserve their gold holdings as much as they could. This was a stance that they wouldn't let go even when the conference was wrapping up with its final sessions.

Then, White took the vote. The commission approved the draft of the IMF articles, which were then sent to the plenary session before they could be fully approved. Before the meeting adjourned, Louis Rasminsky of Canada, now as Chairman of Drafting Committee, confirmed member countries' points of reservation to communicate these accurately to the plenary session.

Commission II

Commission II, under Keynes's chairmanship, focused on the Bank. As per the American invitation to Bretton Woods, the main goal of the conference was to establish the Fund and possibly a Bank. However, it was not certain until the last minute whether enough nations agreed on a Bank.

¹²³ Ibid., 239.

¹²⁴ Ibid., 247.

¹²⁵ Ibid., 248.

¹²⁶ Ibid.

¹²⁷ Ibid., 270.

Because Atlantic City was productive, it created the hope that Bretton Woods would provide the opportunity to establish a Fund as well as the Bank. As the Bretton Woods conference was primarily focused on creating the IMF, Commission II arose largely because of a harmonious and successful Atlantic City conference. In this vein, to maintain focus on the Fund, Commission did not begin work until halfway through the conference. Commission I was a priority when it came to the allocation of resources. For example, “stenographers transcribed only one of the nine meetings of Commission II... as opposed to all nine meetings of Commission I.”¹²⁸ As a result, there is only one transcript for Commission II’s second meeting. No transcripts of other meetings exist. The proceedings published by the State Department contain the minutes for Commission II, as well its committee meetings, yet the transcripts and the minutes contain only a few points regarding the role of gold in the Bretton Woods system. Below, I include a brief summary of the second meeting based on the available transcripts to give a sense of what Commission II focused on, as well as a section agreed by its Ad Hoc Committee 3C.

At Commission II’s first meeting held on July 3, the main focus was a speech made by Keynes. At the commission’s second meeting, held on July 11, Keynes first presented the committees of Commission II and their officers. He combined the Agenda Committee and the Drafting Committee for efficiency and to encourage the appointment of subcommittees without delay. Then, he used three categories to divide the Work Bank agreement clauses: “those that give major difficulty, which should be referred to committee; those that give intermediate difficulty, which the Commission might discuss without referring them to committee; and those that give no difficulty, which the Commission can immediately refer to the Drafting Committee for polishing the language.”¹²⁹ With the procedure approved by the delegates, Keynes proceeded with a very quick run-through of the preliminary agreement for the Bank. Then, he returned to the provisions about the Bank’s name, purposes, and use of resources. The delegates debated the name for the Bank but agreed to defer the matter. Regarding the Bank’s purposes, the Commission agreed that the Drafting Committee should review a clause on countries devastated by occupation. As the last major item, the Commission accepted Mexico’s proposal that the use of the Bank’s resources should emphasize “reconstruction and development.”¹³⁰

As reported in the proceedings published by the State Department, the provision below was recommended by Ad Hoc Committee 3C, and the Committee eventually accepted the fund language on the matter. The provision was significant in that it tried to preserve the value of gold as an asset of the bank. First, it stated that the gold value of the bank’s assets should “be maintained notwithstanding changes in the part or foreign exchange value of the currency or any member.”¹³¹ Second, it ensured that members would compensate the bank’s lost gold value “whenever (i) the par value of a member’s currency [was] reduced, or (ii) the foreign exchange value of a member’s currency [had], in the opinion of the Bank, depreciated to a significant extent within that member’s territories.”¹³² Third, it allowed that the bank would, in turn, compensate the member’s increased gold value whenever it increased the par value of that member’s currency. Gold was seen as the key arbiter of value.

¹²⁸ Ibid., 22.

¹²⁹ Ibid., 505.

¹³⁰ Ibid., 506.

¹³¹ United States, Department of State, *Proceedings and Documents* (Vol. I), 712-713.

¹³² Ibid.

Commission III

Commission III was tasked with the other means of international financial cooperation beyond the IMF and the World Bank. It was essentially a forum for miscellaneous ideas. It eventually formed three ad hoc committees: (a) use of silver for international and monetary purposes enemy assets; (b) looted property and related matters; and (c) exchange of information and other means of financial cooperation.

At Commission III's first meeting on July 3, they appointed an Agenda Committee to decide what the commission would cover. As is the case with Commission II, transcripts are not available for the meetings of the committees of Commission III. The proceedings published by the State Department include only the minutes. The main issues related to gold were not highlighted sufficiently in these minutes. Therefore, I only refer to Commission III's meetings, not to its committees.

At Commission III's meeting on July 10, Mexico's silver proposal was discussed. They had several justifications for their proposal. First, almost half of the global population used silver coins for everyday use, trade, and hoarding. Second, Bretton Woods would institute a "world-wide free market for gold," and hence "a stable and fair price for that metal".¹³³ Stronger economies should therefore support weaker ones so that "silver may also have an ample market and a relatively stable and fair international price".¹³⁴ Third, they did not want the conference to "select gold or anything else as a metallic standard which would lead the world back into the rigidity of an arbitrary yardstick".¹³⁵ Finally, they argued that they could decide on a minimum gold price and a maximum silver price in terms of member currencies. Therefore, Mexico proposed the following plan for silver and gold. First, they wanted the fund to buy and sell both silver and gold to and from member countries at a fixed rate, suggesting "a ratio of, say, one ounce of pure gold to ten ounces of fine silver."¹³⁶ Second, they suggested that members should, in return, buy and sell both silver and gold to and from the fund using the same rate and ratio. Third, they proposed that the fund could alter these proportions by a majority vote "only when the average yearly rate of gold and silver production had changed significantly."¹³⁷ Finally, they wanted the fund to have the power to "eliminate silver entirely but temporarily from its joint purchases and sales of gold and silver, and to permit member countries to do likewise, only when and just as long as, due to an increase in the price of silver, over and above an agreed ceiling, the price of one ounce of pure gold in the basic composite unit as defined under I and II above, should be less than the agreed minimum price of thirty-five U.S. dollars per ounce."¹³⁸

With the aforementioned justifications and the action plan, the Mexican delegation recommended the following resolution. First, they wanted the Fund to decide whether gold and silver could be linked for international monetary purposes, whether in their suggested way or in another. Second, they wanted the Fund to have the authority to implement any appropriate policy regarding silver within the global monetary structure. Mexico essentially wished to make silver a complement to gold, while White's vision from the beginning was to render the US dollar as good

¹³³ Schuler & Rosenberg, *The Bretton Woods Transcripts*, 538.

¹³⁴ Ibid.

¹³⁵ Ibid., 539.

¹³⁶ Ibid.

¹³⁷ Ibid.

¹³⁸ Ibid., 539-540.

as gold and provide no role for silver. Beyen then pointed out that the Agenda Committee's recommendation was to refer Mexico's proposal to Committee 1 of Commission III.

Discussion began. Mexico agreed with the Agenda Committee's recommendation that this be referred to Committee 1. Robert Brand of the United Kingdom pointed out that presenting this would be a significant change to the Fund's plans. He saw the idea as controversial and belated. The British delegation offered no other comments on the matter. Bimetallism, as White explained in *Selection for a Monetary Standard for the US*, would not be an ideal, functioning path to choose. In contrast, Peru supported the Mexican proposal and wanted to refer it to "a special committee. Raisman stated that the Indian delegation, like the British, has no relevant instructions and that they had recently been divesting from silver.

On July 9, the Norwegian delegation issued a proposal to be submitted to Commission III to be discussed on July 10, which outlined their views on gold. Though it is not referred to in Commission III's July 10 meeting minutes, Norway proposed a gold unit when bookkeeping for the fund and the bank.¹³⁹ There would be no link to the USD. The proposal read that "the books... shall be kept in a special international bookkeeping monetary unit, called (say) Demos, being defined as the equivalent of a certain gold weight."¹⁴⁰

At Commission III's third and final meeting, which took place on July 20, "use of silver, gold as cover for note issues, [and] earmarked gold" were discussed.¹⁴¹ First, Te-Mou Hsi of China, as Reporter for Committee 1, read the committee's recommendation for the Mexican proposal for silver to be reported to the Plenary Session, as due to time constraints, the Committee could not come to a definite recommendation. Manuel Llosa of Peru affirmed Peru's support for the Mexican proposal, since Peru was one of the world's largest silver producers. He stated that "the historical background of silver as a monetary metal cannot be forgotten and must not be underestimated."¹⁴² In parallel, "the psychological prestige of silver cannot be denied, nor its popularity among the less favored classes throughout the world."¹⁴³ Silver was still a part of legal monetary reserves in several countries. This argument echoed White's writings on gold, particularly regarding beliefs in gold's value and importance. Brazil also supported Mexico's proposal. Luxford expressed support, too. The commission then took a vote and decided to accept Committee 1's report and send Mexico's proposal to the Plenary Session.

Suarez stepped out of his role as chairman and spoke on behalf of the Mexican delegation to explain Mexico's stance on silver and approve Committee 1's recommendation. At the time, Mexico was "both a large producer of silver and a large user of silver coins, which many Mexicans preferred to paper money."¹⁴⁴ He saw international efforts to stabilize gold's value and pricing it at \$35 per ounce. Suarez, believing in silver's continuing importance in the future as a monetary metal, wished for silver's value to be stabilized as well in the world markets. In his view, "the larger and poor part of humanity" wanted to prioritize silver over gold in a monetary system, even if only because they could not aspire to "the so-called higher forms of wealth."¹⁴⁵ Invoking the American pegging of both gold and silver to US dollars, he stated that the US government had managed to fix a silver price in the world market the way it had done with gold. Suarez's visions for international cooperation meant fixing the price of silver.

¹³⁹ United States, Department of State, *Proceedings and Documents* (Vol. I), 165.

¹⁴⁰ *Ibid.*

¹⁴¹ Schuler & Rosenberg, *The Bretton Woods Transcripts*, 558.

¹⁴² *Ibid.*, 561.

¹⁴³ *Ibid.*

¹⁴⁴ *Ibid.*, 558.

¹⁴⁵ *Ibid.*, 563.

White treated silver the same way he treated every other difficult matter: sending it to Commission III.¹⁴⁶ Lionel Robbins noted in his diary, “the Mexicans have climbed down on the silver question and are content with what is called in the *couloirs* of the Conference the ‘Coconut Clause’ – a face-saving phrase which permits the Fund, when waiving the quota obligations at its discretion, to accept various commodities, including possibly silver, as collateral.”¹⁴⁷ In the end, the final agreement didn’t include silver. This allowed Suarez some dignity, and he reported to Mexico, that “after some stormy discussions [the Fund] had agreed to Mexico’s proposal to accept silver on the same footing as gold, for contributions to the Fund”.¹⁴⁸

Next, Ibrahim Al-Kabir of Egypt took the floor as Reporter of Committee 3. Regarding abnormal indebtedness and wartime accumulation of sterling balances, he said that the Egyptian and British delegations had come to an understanding that they would have bilateral talks on the matter to seek a solution. As such, Egypt withdrew its proposal on the issue from the Bretton Woods agenda.

Concluding Remarks

When considering the importance of ideas and applying Goldstein’s framework to Bretton Woods (as discussed in Chapter 2), it is clear that a policy window opened near the end of WWII. The world wars, the interwar period (with many hardships such as the Great Depression of 1929), and countries going on and off the gold standard acted as exogenous shocks. White, responsible for writing the US plan for the negotiations, entered in as political entrepreneur at large and propagated his ideas. White was in the right place at the right time for his ideas to become a reality. As such, he became the “the primus inter pares in the pantheon of founders of the postwar economic system.”¹⁴⁹ White had “freedom of action” and could exert his agency.¹⁵⁰

On the Ikenberry versus Gardner spectrum, the chapter places as follows. White’s monetary ideas started to crystallize long before the Atlantic City and Bretton Woods conferences, as evidenced by his *Selection of a Monetary Standard for the US* and *The Future of Gold*. Having secured global dominance when it came to gold, the United States certainly had interests in ensuring a role for gold. However, White’s ideas were exogenous to those interests. White was certainly aware of these banking interests as well as the practicality of passing the legislation in the Congress — he was not operating in a vacuum — yet his insistence on gold while the world was turning away from those ideas disrupts Ikenberry and Gardner’s narratives.

On the Helleiner versus Steil spectrum, the chapter places as follows. As discussed in this chapter, White jumped into the discussions quite often. At Atlantic City, he ensured Treasury-wide support for his ideas by training the American Technical Group prior to the arrival of the other delegations. Bretton Woods can be traced back to a singular source, White, rather than the collective decisive influence of all countries. An international coalition for gold was important, but only in so far as delegates supported White’s ideas. This will be discussed further in the next chapter.

The transcripts help us go beyond the mere summaries published by the State Department in 1948. Discussions indicate that Bretton Woods was not a harmonious gathering marked by a

¹⁴⁶ Conway, *J. M. Keynes and the Reshaping of the Global Economy*, 262.

¹⁴⁷ Robbins, “Bretton Woods, June – August 1944”, 184-185.

¹⁴⁸ Quoted in Conway, *J. M. Keynes and the Reshaping of the Global Economy*, 262.

¹⁴⁹ Boughton, *Harry White and the American Creed*, 3.

¹⁵⁰ Ibid.

Keynesian consensus, as Ikenberry suggests, but was more of a battle, as Gardner writes. Transcripts show that throughout the Bretton Woods conference, delegates were concerned about how gold would play out in the organization of the Fund and the Bank. Quotas, gold depositories, sterling balances, and the definition of gold convertible exchange all came up in the discussions. Overall, there was international support for gold. The outcome of the Bretton Woods was not a Keynesian vision, in the sense that the monetary system would not gradually break from its gold chains. With *bancor*, Keynes would have demonetised gold over time. Instead, it was more in parallel with White's vision; that is, it was a new version of a gold exchange standard, whereby the US dollar would be as good as gold for decades to come. Hence, White approached Bretton Woods more positively than Keynes did despite the fact that he and Keynes agreed not to return to the classical gold standard.¹⁵¹ Having espoused gold's virtues in "Selection of a Monetary Standard for the US," advocating a gold exchange standard with gold value set at \$35 per ounce, White advocated for the very same gold-USD exchange rate at the Bretton Woods conference. Acting on what he outlined in *The Future of Gold*, at Bretton Woods, White and his delegation supported a world monetary order based on gold and the USD and left no room for silver, demonstrating a full belief in gold's continuous importance and ignoring Mexico's pleas. US dominance was evident. Due to Bretton Woods, reference to gold remained crucial to the global monetary order after WWII.¹⁵²

With the commissions having taken their votes, the signing of the Bretton Woods agreements was rushed. Keynes recorded that they signed "before we had a chance of reading through a clean and consecutive copy of the document. All we had seen of it was the dotted line. Our only excuse is the knowledge that our hosts had made final arrangements to throw us out of the hotel, unhouselled, disappointed, unannealed, within a few hours".¹⁵³ As such, they only understood the implications of what they had signed when they arrived home. Post-conference, what Keynes made of the fact that at Bretton Woods gold convertible exchange had been defined as US dollar only is a significant question. If Keynes was in Commission I instead of Robertson, would things have occurred differently? Counterfactuals remain a mystery.

¹⁵¹ Jabko & Schmidt, "The Long Twilight of Gold", 636.

¹⁵² Ibid.

¹⁵³ Conway, *J. M. Keynes and the Reshaping of the Global Economy*, 289-290. As Conway points out, Keynes is probably referencing Shakespeare's *Hamlet*.

Chapter VII: Conclusion

We are now at the cusp of yet another critical moment of transition – from gold to fiat money in the past, and from fiat to digital currencies in the present. If the global monetary system is to be reengineered, it is vital to go back to the ideas of the planners, the negotiations, and the transcripts of Bretton Woods. Transcripts shed light on the visions and strategies of the founders, the organization of both the Atlantic City and Bretton Woods conferences, the issues that were deemed important at the discussions, and the relevant compromises.

Rather than a harmonious experience, as Ikenberry suggests, the Bretton Woods debates were more of battle, more in line with Gardner's narrative of clashing interests. However, ideas – which Ikenberry highlights – were crucial as well. Despite Ikenberry and other scholars' views of Keynes and White as similarly Keynesian, White's previous, unpublished writings, as well as the Atlantic City and Bretton Woods discussions, show that White had a greater focus on gold. This disrupts Ikenberry and others' narratives, showing that White himself had his own ideas and pushed them forward. Bretton Woods is a story of a clash of ideas rather than just a clash of interests. With Bretton Woods, a new monetary regime was created for the post-WWII world. Possibilities were vast, and it was on White and Keynes's shoulders to shape this world with ideas.

At Bretton Woods, there were many key disagreements, whether about quotas, or Mexico's rejected appeal for a role for silver, or the location of the Fund. Previously unavailable transcripts to which I have referred reveal these points of divergence more clearly than the State Department's previously published 1944 minutes. Bretton Woods created not just one but two international institutions, and it was a crucial point for the history of diplomacy. There are often calls for a new Bretton Woods to reform the international monetary system, which invoke the name of Bretton Woods to emphasize the success of the original agreements in the hope that officials could recreate Bretton Woods's achievement. However, as the Atlantic City chapter and the Bretton Woods chapters of this work suggest, countries had crucial disagreements with each other, and US ideas and US power were dominant.

The US stance was marked by White's attitudes toward and ideas about an ideal monetary system. Despite the contemporary zeitgeist and scholarly opinion turning away from gold, White continued to see value in it. Gold "had about it a feeling of permanence, maybe even of magic."¹ It was "under the gold standard [that] every economic exchange was an act of alchemy: translated through a value in money, the base stuff of life [such as goods and services] could become gold."² Gold's long history casted a long shadow over policymakers at Bretton Woods. For White, gold's role in a monetary regime trumped all other options. A system without a role for gold was unimaginable.

In his 1934 "Selection of a Monetary Standard for the US" report, of which White was the sole author, he advocated a managed system which he named an "international gold standard," whereby the USD would still be linked to gold, but it would be more flexible to allow for exchange rate changes if need be.³ Though in a Keynesian fashion White believed in capital controls and the need for flexibility, at the end of the day, White's system still used gold as the ultimate anchor. Likewise, in his *The Future of Gold*, written between 1939–1942, White sang the praises of gold.

¹ Rauchway, E. (2015). *The Money Makers: How Roosevelt and Keynes Ended the Depression, Defeated Fascism, and Secured a Prosperous Peace*. New York: Basic Books, 22.

² Ibid.

³ Harry Dexter White Papers at the Seeley G. Mudd Manuscript Library, Princeton University. 1934. Box 9, File 7, 245.

He wrote that gold was “the best medium of international exchange yet devised.”⁴ For White, gold would indefinitely be the key generator of confidence in a currency. Regarding White’s monetary ideas, I have argued that:

1. It is wrong to assume that finding a role for gold in the international monetary system is *ipso facto* non-Keynesian. Both Keynes and White ascribed some role to gold. There were substantial points of agreement between Keynes and White. For instance, according to their writings pre-Bretton Woods, they both envisioned a system that maintained a role for gold. Keynes did not see a managed gold standard as a barrier to his fundamental ideas. Both Keynes and White wanted to see a more flexible gold standard; they were both just against the classical gold standard of the orthodox variety.
2. Keynes and White also agreed on other major Keynesian points such as the need for capital controls and the importance of domestic price stability. White argued for capital controls even in his PhD thesis.
3. Despite this, a more nuanced argument suggests that, at least judging by Keynes’s and White’s Bretton Woods proposals, they envisioned different trajectories for gold. While Keynes wanted to decrease the role for gold by eventually replacing gold with *bancor*, White did not envision such a policy in his plan. In the Keynes Plan, Keynes would write that “the purpose of the Clearing Union is to supplant gold as a governing factor.”⁵
4. White and Keynes also disagreed on other Keynesian points such as creditor versus debtor adjustment and international management of a reserve currency. Keynes argued that surplus countries have a greater responsibility to adjust, while White did not wish to impose such a duty on creditors. Keynes believed that there needed to be an internationally managed capacity to issue gold equivalents, where White did not. These points carried White further away from the Keynesian umbrella. Their disagreements were consequential for the ultimate shape of the Bretton Woods regime.

The completed break with the pre-war WWII system offered a chance for a whole redesign. Things that were hitherto impossible became possible due to the emergence of the United States as the sole power after the war. The war weakened the United Kingdom’s net reserve position: they had £615 million in reserve at the end of 1938 compared to £610 million at the end of 1945, and £598 million sterling liabilities at the end of 1938 compared to £3,567 million at the end of 1945.⁶ On the other hand, the war strengthened the dollar. This meant that “the productive potential of the American economy was greatly increased; wartime inflation was less in the United States than in other belligerent countries, and its reserve position was in a class by itself.”⁷ Applying Judith Goldstein’s framework to Bretton Woods, nearing the end of WWII, a policy window opened. The world wars, the interwar period with many hardships such as the Great Depression of 1929, and countries going on and off the gold standard had acted as exogenous shocks. White, responsible for writing the US plan for the negotiations, entered in as political entrepreneur at large and propagated his ideas. White was in the right place at the right time for his ideas to materialize. As

⁴ Ibid., Box 14 Folder 9. Section III. Part 1.

⁵ Keynes, J. M. (1969 [1943]). “Keynes Plan: Proposals for an International Clearing Union”. In J. K. Horsefield (Ed.), *The International Monetary Fund 1945-1965: Twenty Years of International Monetary Cooperation* (Vol. 3). Washington, DC: International Monetary Fund, 19-36, 30.

⁶ Gilbert, M. (1968). “The Gold-Dollar System: Conditions of Equilibrium and the Price of Gold”. *Essays in International Finance*, 70, 32.

⁷ Ibid.

such, he became the “primus inter pares” as economic thinkers began to construct the postwar economic system.⁸ White had “freedom of action” and was able to exert his agency.

White and Keynes both penned their own plans for a new global monetary order, independently from each other. Nevertheless, there were similarities. For one, both envisioned an institution that would manage exchange rates. For another, both aimed to “create sufficient international liquidity” with the aim of currency stability, trade expansion, and smooth operation of short-term payment balances.⁹

However, White and Keynes had a different vision for how a monetary regime should be constructed. Regarding balance of payments, while White’s Fund was designed primarily for emergency lending, Keynes’s Clearing Union put the responsibility to adjust on both debtor and creditor countries. This was reflected in the terms of borrowing as well. Keynes’s plan gave countries greater borrowing power, reflecting his conviction that unemployment and low demand were root causes of economic imbalance, both at home and globally. In fact, “transfers to countries in deficit would be virtually automatic”, which would mean that “no policy conditions would be attached.”¹⁰ The result was that adjustments would burden deficit and surplus countries equally.¹¹ Simply put, Keynes wanted easy credit terms. While Keynes would allocate \$23 billion for the total fund capital, White’s plan constrained the drawing rights to \$5 billion, out of which the US contribution was only \$2 billion. While the United Kingdom wanted credit after the war due to their debtor status, the United States wanted to limit credit as a creditor. In line with US interests, White did not want the United States to be the creditor of the world.

White wanted quotas and voting power to be decided in terms of a country’s amount of gold, cash, and securities subscribed. Keynes, on the other hand, wanted them to be decided based on a country’s past share of the world trade volume and did not require any capital subscription. Under White’s plan, the United States would have an effective veto power to decide which countries could borrow from the Fund. These different proposals were again in line with their respective nations’ interests.

Though exchange stability was important for both plans, White’s plan was less accommodating for exchange rate alterations. White wanted member countries to get the Fund’s approval before such a change was made. Keynes’s plan, on the other hand, required no such approval. This, respectively, reflected the US desire to avoid competitive devaluations and the British desire to avoid an overvalued pound.

White wanted to ensure dollar supremacy. What White therefore envisioned for Bretton Woods was essentially a dollar-based gold-exchange standard, which would ensure dollar hegemony, projecting US dominance at the end of WWII much farther into the future. According to the White Plan, members’ initial “cash” subscriptions to the fund would need to be at least half gold.¹² Under the Keynes Plan, on the other hand, “the Currency Union would only hold gold if members wanted to buy bancor with gold.”¹³ Furthermore, only debtor countries would be able to make bancor redeemable for gold. While Keynes envisioned a gradually decreased role for gold – at least per his Bretton Woods proposals – White wished to establish a system anchored in gold.

⁸ Boughton, J. M. (2021). *Harry White and the American Creed*. New Haven, CT: Yale University Press, 3.

⁹ Best, J. (2005). *Limits of Transparency*. Ithaca, NY: Cornell University Press, 50.

¹⁰ Woods, N. (2006). *The Globalizers: The IMF, the World Bank, and Their Borrowers*. Ithaca, NY: Cornell University Press, 16.

¹¹ Ibid.

¹² Steil, B. (2013). *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order*. Princeton, NJ: Princeton University Press, 149.

¹³ Ibid.

White was aware that accepting Keynes's bancor would supplant the USD's already growing prestige. White did not wish to yield the USD's growing power to a supranational institution. In his drafts, White expressed his vision by not directly linking the USD to gold. First, he proposed the unitas, a would-be challenger to Keynes's bancor. Steil writes that, "[c]leverly, White's memo laid the groundwork for his meaningless unit of account... which would merely be a Stabilization Fund gold-deposit receipt that looked and smelled like Keynes's bancor without having any substance or consequence."¹⁴ In essence, a unitas was fixed to a \$10 value. Keynes was later to observe that "unitas seem[ed] to serve no purpose", he did not see that its purpose was to be the dollar masquerading as a "real international currency."¹⁵ As such, the British demanded to see a clearer presentation of the purpose of unitas, but the Americans instead dropped the idea as soon as bancor was opposed.

Second, the term "gold convertible exchange" appeared in the White Plan, but it was left undefined. Regarding this matter, White had to be diplomatic. He wrote in April 1942 that countries who desired greater international prominence or who foresaw monetary loss would oppose the dollar as an international currency and suggest another. However, the White Plan did mention a gold convertible exchange that would be as good as gold. The idea was out there, and at Bretton Woods, the issue was finally settled exactly as White envisioned.

Keynes described the White Plan as "a tremendous labour to read and digest," and he stated, "[it] obviously won't work."¹⁶ To Sir Frederick Phillips, a British Treasury Official, Keynes wrote that White "ha[d] not seen how to get round the gold standard difficulties and ha[d] forgotten all about the useful concept of bank money."¹⁷ While Keynes's Clearing Union was designed to create a new international unit of account, White did not entertain such a possibility. Keynes ultimately dismissed the White plan as "not much more than a version of the gold standard."¹⁸

Once Keynes's and White's plans were published, negotiations for a Joint Statement began in 1942. However, during the Anglo-American negotiations, and later at Atlantic City and Bretton Woods, one thing was clear: US power and ideas were dominant. The world after the war desperately needed US dollars. Therefore, despite the intellectual flair of Keynes's Plan, White held the upper hand. The key British leverage was the option to disengage from the negotiations and simply walk away from the table. Without the United Kingdom and its dominions, there would be no global monetary regime. However, even this leverage was limited. Britain, too, desperately needed US dollars, and the Lend-Lease Act was being negotiated concurrently with Bretton Woods.

Congress was in the minds of the Treasury when preparing for the Conference. They were aware that adoption and implementation of what was agreed at Bretton Woods would not necessarily follow from expert consensus alone.¹⁹ They therefore had to begin political lobbying. In effect, Roosevelt and Treasury Secretary Morgenthau chose delegates for Bretton Woods who

¹⁴ Ibid., 148-149.

¹⁵ Ibid., 149.

¹⁶ Ibid., 159.

¹⁷ Ibid.

¹⁸ Keynes, J. M. (1980 [1942]). "Notes on the Memorandum for Postwar Currency Arrangements". In D. Moggridge (Ed.), *The Collected Writings of John Maynard Keynes: Volume XXV, Activities 1940-1944: Shaping the Post-war World: The Clearing Union*. Cambridge: Cambridge University Press, 160-167, 160.

¹⁹ Eichengreen, B. (1996). "Introduction". In B. Eichengreen, G. C. Pardee, & H. N. Pardee (Eds.), *The Reconstruction of the International Economy, 1945-1960*. Cheltenham: Edward Elgar Publishing Limited, xi-xvi, xii.

could also be politically persuasive.²⁰ They knew from the way the Senate had resisted Wilson's League of Nations that this paramount, and they therefore made sure that the delegation was politically diverse: their picks included Fred Vinson, a former Kentucky Congressman, a Chicago banker, and chairmen of Senate and House Committees on banking and currency. Post Bretton Woods, the Treasury team maintained their awareness of the need to play the political game in Congress to ensure ratification. As such, the Treasury used a public relations expert to help "stimulate public interest, crystallize public opinion, and make that opinion vocal."²¹ As such, they solicited the support of elite groups who then carried out "aggressive 'selling' of the idea".²² Congress therefore ratified the Bretton Woods Agreement thanks to a set of political maneuverings which started from the inception of the negotiations.

On January 7, 1943, White gave a speech at the American Economic Association's "Postwar Currency Stabilization" gathering in which he stated that "the United Nations should establish an international stabilization fund and an international bank."²³ He continued that the dollar inspired "universal confidence" and would therefore be a vital part of stabilizing currencies after the war.²⁴ Following this, in 1944, Keynes observed his plan being shunted to the side and became afraid that White would manage to create a dollar-based international monetary order. As such, he wanted White to define "gold-convertible exchange". On February 3 1944, White wrote to Keynes saying that he would define the term at Bretton Woods and not in the Joint Statement. In the ensuing months, White continued to delay definition while he aimed to isolate Keynes increasingly from negotiations.

One important point to note is that, throughout this time, Keynes presented an optimistic front to the House of Lords. This was arguably because having some kind of a working system would have been better than no system at all, and Keynes knew that he would need the Lords' chamber's support for future ratification. On May 18 1944, just before the conference, Keynes made a speech to the House of Lords explaining the differences between his plan and White's. He stated, "I have not the slightest doubt in my own mind that a synthesis of the two schemes, should be possible," praising Morgenthau and White for "putting forward proposals of great novelty and far-reaching importance that had an identical purpose to his own."²⁵ Likewise, in his May 23, 1944 speech to the House of Lords, as presented in the Lamoreaux volume, Keynes offered a defence for the Joint Statement of April 1944.²⁶ However, this public stance contrasted his private view that he and White's plans had different goals. Perhaps Keynes was being disingenuous, aware of the need for the kind of political maneuvers that White and his team at the Treasury were employing across the Atlantic. Moreover, the House of Lords speeches were made before the Atlantic City and Bretton Woods Conferences, hence before the final agreement took shape.

At Atlantic City, again the issue of the definition of "gold-convertible currency" and "convertible exchange" came up. The terms appeared in the Joint Statement, but no definition had been provided. The terms were critical, as there would be huge benefits to the nation whose

²⁰ Odell, J. (1988). "From London to Bretton Woods: Sources of Change in Bargaining Strategies and Outcomes". *Journal of Public Policy*, 8(3/4), 287-315, 304.

²¹ Ibid.

²² Ibid.

²³ White, H. D. (1943). "Postwar Currency Stabilization". *The American Economic Review*, 33(1), 382-387, 386.

²⁴ Ibid., 387.

²⁵ Steil, *The Battle of Bretton Woods*, 177.

²⁶ Keynes, J.M. (2019 [1944]). "Speech by Lord Keynes on the International Monetary Fund Debate. House Of Lords May 23, 1944". In N. Lamoreaux & I. Shapiro (Eds.), *Bretton Woods Agreements: Together with Scholarly Commentaries and Essential Historical Documents*. New Haven, CT: Yale University Press, 429-438.

currency was “as good as gold”.²⁷ Many countries would want reserves of this currency to make payments and protect themselves against financial shocks, but the currency issuer would not require much foreign exchange in reserves. Furthermore, the issuer would attain “seigniorage”, could buy more abroad than it sold, and would reduce foreign exchange risk on trade.²⁸ Moreover, minting money would lend the issuer nation large amounts of soft power.

At Bretton Woods, White again pursued his gold-centric ideas. He referred to the gold in Fort Knox as the very reason why the United States was so politically and economically dominant: “because we have the where-with-all to buy any currency we want.”²⁹ He knew that the situation would be different if any other country were in that position. To ensure the dollar-based gold-exchange standard that he envisioned, White resorted to several tactics. One was to make Keynes the chairman of Commission II focused on the bank, while White himself took on the chairmanship of the fund’s commission, which was more important for setting up the monetary regime itself. White thereby wanted to divert Keynes’s attention elsewhere. USD coming to be defined as the only gold convertible currency was partly due to Dennis Robertson, who asked for a definition of the term gold convertible currency and suggested that the USD be named as the single one. Through Bretton Woods, White’s gold-centric ideas were institutionalized to the extent that the link to gold was preserved until the Bretton Woods system’s demise between 1971 and 1973, even though scholarly opinion began to turn further away from gold long before that.

Keynes was well aware of the prestige that a dollar-based “gold-convertible currency” would bring to the United States at British economic and political expense. As such, he wanted to replace “gold-convertible currency” with “monetary reserves”. The Americans counter-suggested “gold and dollars”, which made their economic intentions clear. Keynes did not want the dollar to be favored in this way, saying that other currencies should also become gold-convertible, but White again chose to delay discussing this suggestion until Bretton Woods. Nonetheless, Keynes remained unaware of White’s intention to make the dollar “new gold” until the time came. To Keynes’s disadvantage, “White and his staff had already submitted a memo to Morgenthau in which all references to ‘gold-convertible exchange’ and ‘holdings of convertible exchange’ had been replaced by ‘dollars’.”³⁰ White, however, did not amend the Joint Statement, knowing that there would be objections. Instead, he aimed to switch its principles “on the sly” during the Bretton Woods negotiations.³¹

Gold is mentioned in a quarter of the pages of *The Bretton Woods Transcripts*, suggesting that participants did not share Keynes’s view of gold as a “barbarous relic”.³² Despite expert opinion moving away from gold, there remained a global coalition for gold, as exemplified by the number of countries voicing their concerns for gold’s role in the Bretton Woods system. Undeniably, there were also US interests involved, as the United States was the key holder of gold. But White’s ideation process and praise for gold had started long before the Bretton Woods Conference, which is evident in the two key pieces he penned at the Treasury, as discussed in Chapters 1 and 2. White and his team also strove to manage banking and Congress interests at stake. Overall, White’s ideas, the Treasury’s support, and the global coalition for gold all came

²⁷ Steil, *The Battle of Bretton Woods*, 195.

²⁸ Ibid.

²⁹ Diary entry, July 1 1944, Volume 749, 25, Diaries of Henry Morgenthau, Henry Jr. Franklin D. Roosevelt Library, Hyde Park, New York.

³⁰ Ibid., 195-196.

³¹ Ibid., 196.

³² Cooper, R. N. (2014). [Review of the book *The Bretton Woods Transcripts*, ed. by Kurt Schuler and Andrew Rosenberg. *Journal of Economic Literature*, 52(1), 211-49, 236.

together to produce the resulting outcome. Ideas, interests, and institutions were all at play throughout.

Indeed, post-1944, gold loomed large even under the Bretton Woods system in practice. Although they were not required to, countries continued to back currency in circulation with gold, showcasing the “persistence of gold standard monetary practices”.³³ Evaluating the importance of individual and institutional experience for this gold preference, Monnet and Puy find that “the longer an institution spent in the gold standard (and the older the policymakers), the tighter the link between gold and currency.”³⁴ As such, “old habits” were the downfall of the Bretton Woods system, preventing the dollar from being an exact substitute for gold.³⁵

Blueprint’s Shortcomings

The Bretton Woods Agreement was not devoid of pitfalls. These pitfalls brought about the system’s demise between 1971 and 1973. In retrospect, Bretton Woods’s focus on gold could be seen as a design failure. In effect, delegates created a system in which gold and convertible currencies were used as international reserves instead of choosing one or two key currencies or an international reserve unit.³⁶ The key peril here was that the world’s gold supply is inherently limited. As global economic activity increases, a need to “[expand the] pool of world monetary reserves and international liquidity... [and] to bridge temporary and unavoidable fluctuations in each country’s external receipts and payments” arises.³⁷ To prevent a liquidity squeeze, which would force “internal deflation, currency devaluation, or trade and exchange restrictions,” the US would have had to print more currency.³⁸ The amount of dollars outstanding would have eventually surpassed the gold supply. A need for constant revaluation of gold would have followed.

The United States, assuming the role of hegemon, would have required that it provide liquidity and in doing so run a deficit. This would have presented a “Triffin dilemma”. As observed by Robert Triffin, the “tendency for the Bretton Woods system to meet excess demand for reserves through the growth of foreign dollar balances [made] it dynamically unstable.”³⁹ Accumulating dollar reserves made sense only in so far as convertibility into gold was possible, “but once foreign dollar balances loomed large relative to US gold reserves, the credibility of this commitment might be cast into doubt.”⁴⁰ If US foreign liabilities exceeded US gold reserves and “some foreign holders sought to convert their reserves” as a result, an international bank run would ensue.⁴¹ Others would rush to cash in their dollars before the United States was forced to devalue. American indebtedness to foreigners would “[have] eventually led to an erosion of confidence in the value of the [dollar]” and thereby threaten the sustainability of the system.⁴² In fact, a new international currency

³³ Monnet, E., & Puy, D. (2020). “Do old habits die hard? Central banks and the Bretton Woods gold puzzle”. *Journal of International Economics*, 127, 103394, 1.

³⁴ Ibid.

³⁵ Ibid.

³⁶ Eichengreen, B. (2019). “The Monetary Role of Gold as the Original Sin of Bretton Woods”. In N. Lamoreaux & I. Shapiro (Eds.), *The Bretton Woods Agreements*. New Haven, CT: Yale University Press, 38-55, 52.

³⁷ Triffin, R. (1960). *Gold and the Dollar Crisis: The Future of Convertibility*. New Haven, CT: Yale University Press, 8.

³⁸ Ibid., 155.

³⁹ Eichengreen, B. (2008). *Globalizing Capital*. Princeton, NJ: Princeton University Press, 114.

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² Astrow, A. (2012). *Gold and the International Monetary System*. Chatham House (The Royal Institute of International Affairs), 2.

presented a solution, since any country's payments condition would not dictate supply. Though Keynes did propose bancor, which would have provided such as a solution, this was rejected during Bretton Woods.

According to the "Mundell-Fleming trilemma", a country cannot simultaneously maintain a fixed exchange rate, monetary autonomy, and free capital flows. Under Bretton Woods, countries opted for the latter two. Whether capital account could in fact be closed was then called into question. Market participants finding clever ways to circumvent capital controls, restoration of current account convertibility in Europe, and financial innovations would boost international trade. Under this new paradigm, limiting capital flows would be challenging. "[O]perating a system of pegged exchange rates... in the presence of highly mobile capital" would require that countries partly subordinate domestic monetary sovereignty, directly confronting Bretton Woods's vision.⁴³

Bretton Woods allowed countries to "devalue up to 10% without consultation when faced with 'fundamental disequilibrium'."⁴⁴ On paper, this meant that public authorities could actively participate in managing economic imbalances and not simply wait for self-regulation. However, with no clarification from the IMF, the resulting ambiguity was able to discourage parity change. The fact that devaluation would signal inherent economic weaknesses – and therefore trigger capital flight – was not addressed. Reluctance to devalue when it could indeed be beneficial caused low flexibility but also created potential for destabilizing speculation.

Finally, Bretton Woods did not recognize that Europe was prostrate after WWII. The funds allocated to support current account convertibility were not sufficient to reinvigorate a whole continent. In sum, Bretton Woods started out with serious structural flaws already ingrained, and its gold-centric nature only exacerbated these flaws, contributing to the system's eventual demise.

Pitfalls Exposed

Flaws in the blueprint revealed themselves gradually. The Sterling Crisis of 1947 unambiguously confirmed the financial weakness of postwar Europe.⁴⁵ Bretton Woods required countries to have either gold or dollars, but Europe had neither. The IMF's resources proved insufficient compared to postwar payment problems. Europe had a great need for US-produced food, goods, and merchandise, but they could export little in return. Europe's "consolidated trade deficit with the rest of the world rose to \$5.8 billion in 1946 and \$7.5 billion in 1947."⁴⁶ The postwar order depended on the Americans remedying this "dollar gap". The United States had to furnish more robust aid of some \$13 billion through the Marshall Plan between 1948 and 1952. This amount was "more than four times the drawing rights established on Europe's behalf and more than six times the maximum US obligation under the Articles of Agreement" signed in 1944.⁴⁷ As of 1950, it was almost 10% of American GDP.⁴⁸

⁴³ Eichengreen, *Globalizing Capital*, 132.

⁴⁴ Meltzer, A. H. (1991). "U.S. Policy in the Bretton Woods Era". *Federal Reserve Bank of St. Louis Review*, 73(3), 54-83, 58.

⁴⁵ In 1947, the Great Britain received a \$3.75bn loan from the United States on the condition that it restores convertibility immediately (five years earlier than required by Bretton Woods). The loan was exhausted within weeks – not within a decade, as planned. Britain, therefore, had to suspend convertibility again. Post-1947, the US had to allow greater devaluations in Europe.

⁴⁶ Eichengreen, *Globalizing Capital*, 96.

⁴⁷ Ibid.

⁴⁸ Germain, R. (2010). *Global Politics & Financial Governance*. Basingstoke, Hampshire: Palgrave Macmillan, 49.

Overall, Bretton Woods was erected upon the assumption that American economic policy would stabilize global finances.⁴⁹ Such expectations proved unrealistic, as the United States was significantly exposed to global and domestic shifts. Richard Cooper notes that “the adjustable peg system for restoring payments equilibrium was flawed, not least because of the one-way option it provided to currency speculators.”⁵⁰ Indeed, it became obvious that it was hard to distinguish between current and capital transactions.⁵¹ As London developed as a “Eurodollar” center for “unregulated deposit taking and lending in dollars,” capital controls were often sidestepped.⁵² This “offshore dollar market” generally eschewed the dollar value instituted at Bretton Woods, which in turn threatened the gold peg’s tenability.⁵³ Further, the US reserve position was changing. While in 1948 they had two thirds of global gold reserves, by 1958 its share had dropped to one half. The year 1958, when Western Europe attained current account convertibility, marked the first time that dollar stability became a serious concern.⁵⁴ Europe – building export capacity and challenging US trade competitiveness – began to exert pressure on US gold reserves.⁵⁵

In the early 1960s, the United States lapsed into trade deficits. In 1963, US liabilities to foreign monetary authorities exceeded US gold reserves. The “dollar gap” gave way to “dollar glut”. From 1965 onwards, economic policy in the United States became increasingly unstable; the Vietnam War, President Johnson’s Great Society programs, and rising oil prices only deepened fiscal imbalances. The government sought to reduce the “costs of foreign assistance and foreign military expenditures” via protectionist policies such as the “interest equalization tax, taxes on tourist expenditures, ‘buy America’ programs, [and] ‘temporary’ controls of foreign investment.”⁵⁶ Nonetheless, such remedies fell short of balancing the deficit as financing the war in Vietnam proved inflationary and of domestic social spending increased, reducing the potential benefit of these programs on the exchange rate. The United States had to print more currency than could be backed by its gold reserves to fund its efforts at home and abroad. This growing deficit laid the system’s deficiencies bare.

The Fed’s stance evolved in this period. Before 1965, balance of payments was somewhat taken into consideration in devising monetary policy. Nevertheless, domestic economic policy became the main interest. The focus – paralleling the Employment Act of 1946 and reinforcing

⁴⁹ Cohen, B. (1977). *Organizing the World’s Money*. London: Macmillan Press, 103. For instance, due to British fears, safeguards were constructed against a US “return to protectionist and deflationary policies of the interwar years”. However, a US inflation was “considered unlikely or, more accurately, was not considered at all, so there were no rules for adjustment to prevent inflation from spreading to countries in the fixed exchange rate system”: Meltzer, “U.S. Policy in the Bretton Woods Era”, 56.

⁵⁰ Cooper, R. (1993). “Comment on M. Bordo’s ‘The Bretton Woods International Monetary System: A Historical Overview’”. In M. D. Bordo & B. Eichengreen (Eds.), *A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform*. Chicago, IL: University of Chicago Press. 104-108, 104.

⁵¹ Ibid., 105.

⁵² Tooze, A. (2018). *Crashed: How a Decade of Financial Crises Changed the World*. London: Allen Lane, 80.

⁵³ Ibid.

⁵⁴ Bordo, M. D., & Eichengreen, B. (2008). *Bretton Woods and the Great Inflation* (NBER Working Paper No. 14532). National Bureau of Economic Research, 8.

⁵⁵ Marshall aid was key in readying Europe for current account convertibility. Another contributing factor was the “European Payments Union”, which was established through a US concession to Europe. The EPU agreement allowed for a much greater stabilization fund than that under the Bretton Woods. For more information, please see: Kaplan, J. J., & Schleiminger, G. (1989). *The European Payments Union: Financial Diplomacy in the 1950s*. Oxford: Clarendon Press.

⁵⁶ Meltzer, “U.S. Policy in the Bretton Woods Era”, 55.

Kennedy's 1960 election promises – moved toward providing employment.⁵⁷ Due to the belief that higher inflation rates could buy lower unemployment rates, rising inflation was often disregarded. In this domestic versus international conundrum, the President of the New York Fed, Alfred Hayes, used the Federal Open Market Committee (FOMC) meetings of 1961-1964 to call for a proper rise in discount rates to defend the dollar's international standing; however, these calls could not sufficiently materialize.⁵⁸ After 1965, as problems with the Bretton Woods system deepened, the Treasury took on increasing responsibility for the dollar exchange rate.⁵⁹ This only made the Fed less interested in taking an international view of rate-setting.⁶⁰ The Fed, overall, “did not pursue the monetary policy necessary to maintain a fixed exchange rate.”⁶¹

Expansionary policies and currency printing to “reduce unemployment and finance growing fiscal deficits” ushered in the era of “Great Inflation”.⁶² Price stability proved incompatible with prioritizing employment and domestic matters.⁶³ A soaring inflation rate in turn increased the US payment balance deficit and meant that an increasing amount of dollars were exported. Nevertheless, the United States continued on with inflationary policies, preferring the expansion of monetary supply to deflation. Increases in prices climbed drastically in the period from 1965 to 1969. The existing structure of fixed exchange rates seemed unsustainable in face of rampant inflation.

It is important to note that the “adjustable peg proved to be an oxymoron” because countries, particularly industrial ones, rarely introduced parity changes.⁶⁴ For the entire duration of the Bretton Woods system, change of parity took place in five instances only (the United Kingdom in 1967, France in 1957 and 1969, and West Germany in 1961 and 1969), and in all cases, countries delayed devaluation.⁶⁵ The United States, Italy, and Japan kept their parities intact until the end. Countries with large deficits did not want to do it unless all other options were exhausted. There was a silent consensus on part of governments to “absorb dollars rather than revalue their currencies.”⁶⁶ Conversely, countries with chronic surpluses such as West Germany regarded adjustment as the responsibility of deficit countries. Surplus countries, wishing to

⁵⁷ The Employment Act of 1946 reflected the spirit of “great transformation” post WWII with welfare becoming more central to policymaking. The US administration shared the belief that “the Act required coordination of fiscal and monetary policy to achieve an unemployment rate of 4 percent or less”: Meltzer, A. H. (2005). “Origins of the Great Inflation”. *Federal Reserve Bank of St. Louis Review*, 87(2), 145-176, 152. The Act was to later become the basis for the Fed's dual mandate given in 1977 to “maintain long run growth of the monetary and credit aggregates... so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates”: Steelman, A. (2011). *The Federal Reserve's 'Dual Mandate': The Evolution of an Idea* (Economic Brief No. 11-12). Federal Reserve Bank of Richmond, 2.

⁵⁸ Eichengreen, *Globalizing Capital*, 19.

⁵⁹ Bordo & Eichengreen, *Bretton Woods and the Great Inflation*, 5.

⁶⁰ Ibid. Post-1965, Mr. Brill and President Hayes continued repeatedly to call for urgently curbing inflation and direct measures by the Fed, pointing at an inevitable crisis. Their individual agency, however, was overshadowed by the institutional process and failed at effecting policy change.

⁶¹ Meltzer, “U.S. Policy in the Bretton Woods Era”, 79.

⁶² Bordo, M. D., & Meissner, C. M. (2015). *Growing up to stability? Financial globalization, financial development, and financial crises* (NBER Working Paper No. 21287). National Bureau of Economic Research, 26. For more information for the political and ideational reasons behind the Great Inflation, see: Meltzer, “Origins of the Great Inflation”; and Romer, C. (2005). “In Defense of the Ideas Hypothesis: Commentary”. *Federal Reserve Bank of St. Louis Review*, 87(2), 131-138.

⁶³ Meltzer, “U.S. Policy in the Bretton Woods Era”, 82.

⁶⁴ Eichengreen, *Globalizing Capital*, 92.

⁶⁵ Meltzer, “U.S. Policy in the Bretton Woods Era”, 80.

⁶⁶ Ibid., 74.

maintain an undervalued currency to boost exports, preferred to collect foreign currency than pursue revaluation. Though Bretton Woods advocated “fixed but adjustable exchange rates among convertible currencies,” as time passed, members simply wanted to maintain fixed rates.⁶⁷ Adjustment was lost.

All these factors combined meant that, as liabilities to foreigners and the supply of dollars increased, the likelihood of the United States being able to maintain the dollar’s convertibility into gold was increasingly viewed with suspicion. By the early 1960s, the dollar came to be seen as overvalued in terms of gold. In the late 1960s, liquid dollar liabilities held by foreign official institutions exceeded the US gold stock.⁶⁸ By 1970, dollar liabilities amounted to “twice the level of the [US gold reserve].”⁶⁹ By the summer of 1971, speculators were moving funds out of dollars into foreign currencies, and central banks were rapidly converting dollars into gold. Charles de Gaulle’s Finance Minister, Valéry Giscard d’Estaing, famously criticized the United States’s asymmetric position – its opportunity to “use domestic inflation to acquire foreign assets at fixed exchange rates” – as an “exorbitant privilege.”⁷⁰ As the issuer of the top reserve currency, the United States enjoyed seigniorage revenues, exerted a far more autonomous macroeconomic policy, and faced lower financing costs compared to other countries.⁷¹ France and other nations’ threats to liquidate dollar balances and insistence on gold delivery culminated in the Nixon shock: President Nixon’s closing of the gold window in 1971. By 1973, US officials finally let the market dictate the value of the dollar, partly due to Haberler and other neoliberals’ persuasion.⁷² Many other global currencies followed suit, ushering in divergent “monetary strategies ranging from flexible exchange rates to ‘managed floating.’”⁷³ The Bretton Woods system was finished. Bretton Woods was a quasi-gold standard, and its pitfalls were finally exposed.

Today, we face the repercussions of a global monetary order that did not work. With growing populism and inequality, and the rise of contenders against the United States and its dollar hegemony, it is important to revisit the creation of Bretton Woods and the role that gold played to understand why it failed, both economically and politically. It is also necessary to contextualize the current trajectories of its institutions, the IMF and the World Bank. After WWII, many path dependencies were broken, begetting opportunities to build the world anew. For Keynes, the goal between the Great War and Bretton Woods was to figure out how money could be used to prevent war. He saw unemployment as “a breeding ground for fascism,” as it “created dangerous political instability and a source of anger that could be easily weaponized.”⁷⁴ He saw the 1926 British general strike and the rise of Nazi Germany as the result of “desperate people seeking radical solutions to intractable domestic misery.”⁷⁵ He viewed deflation as the cause of such misery because it had led to unemployment and shut down businesses. Importantly, Keynes saw the gold standard as the cause, even though he had once supported such a system. Today, there are calls for

⁶⁷ Ibid., 80.

⁶⁸ Garber, P. M. (1993). “The Collapse of the Bretton Woods Fixed Exchange Rate System”. In Bordo & Eichengreen (Eds.), *A Retrospective on the Bretton Woods System*, 461-494, 467.

⁶⁹ Meltzer, “U.S. Policy in the Bretton Woods Era”, 57.

⁷⁰ Ibid., 66; Astrow, *Gold and the International Monetary System*, 11; for a discussion of the dollar’s lasting dominance post-Bretton Woods, please refer to Eichengreen, B. (2011). *The Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System*. Oxford: Oxford University Press.

⁷¹ Astrow, *Gold and the international monetary system*, 11.

⁷² Slobodian, Q. (2018). *Globalists*. Cambridge, MA: Harvard University Press, 241.

⁷³ Ibid.

⁷⁴ Carter, Z. D. (2020). *The Price of Peace: Money, Democracy, and the Life of John Maynard Keynes*. New York: Random House, 353.

⁷⁵ Ibid., 354.

a reform to the current monetary system. For instance, Zhou Xiaochuan, China's central bank governor, famously expressed in 2009 that "back in the 1940s, Keynes had already proposed to introduce an international currency unit named 'bancor'... [but] unfortunately, the proposal was not accepted."⁷⁶ The demise of the Bretton Woods system suggests that Keynes's approach, not White's, could have been more successful. This raises the question of whether a better-designed, less gold-centric Bretton Woods could have sustainably fulfilled the world's political priorities. Bretton Woods is a "story of the rise and fall of Harry White's blueprint for a new world order, and the vestiges of that fall that we wrestle with today."⁷⁷ Overall, Bretton Woods is a story of how intimately politics and economics were, and continue to be, intertwined.

⁷⁶ Xiaochuan, Z. (2009). "Reform the International Monetary System". *BIS Review*, 41.

⁷⁷ Steil, *The Battle of Bretton Woods*, 7.

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