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Introduction by **James McAllister**

Benn Steil. *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order.* Princeton: Princeton University Press, 2013. ISBN: 9780691149097 (cloth, $29.95/£19.95); 9780691162379 (paper, $19.95/£13.95).

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Introduction by James McAllister, Williams College

[The Battle of Bretton Woods has been short-listed for the Lionel Gelber Prize. H-Diplo/ISSF editors send their congratulations to Benn Steil.]

International monetary policy is usually not a topic that lends itself to both intense academic interest and a popular general audience. Benn Steil's *The Battle of Bretton Woods*, however, is clearly an exception to this general rule. As William Glenn Gray points out in his review, in less capable hands the wartime monetary negotiations that established the foundation for the postwar economic order can make for quite tedious reading. But Steil breathes new life and controversy into a familiar story by emphasizing the intellectual and political clash between John Maynard Keynes and Harry Dexter White. In stark contrast to the still-common vision of American and British officials cooperatively designing a postwar economic order that would avoid the problems of the interwar era, Steil's book highlights the competing national interests and power struggles between the two nations, as personified in the struggle between Keynes and White.

It is important to recognize the main theme of Steil's book because much of the public controversy over *The Battle of Bretton Woods* revolves around the author's analysis of Harry Dexter White's involvement in espionage on behalf of the Soviet Union.[1] The nature of White's relationship with Soviet intelligence has been hotly disputed for over half a century, but Steil argues that an important and heretofore overlooked document in White's papers at Princeton finally reveals his motives for aiding the Soviet Union. In Steil's view, this document reveals White's admiration for the Soviet economic system and helps explains why he was willing to engage in forms of espionage on its behalf. In this current roundtable, R. Bruce Craig sharply challenges Steil's arguments about White's motivations, which is not at all surprising given his previously published book on the subject.[2] Needless to say, this roundtable does not resolve the differences between Steil's and Craig's interpretations of White's espionage activities during the 1930's and 1940's.[3]

The other contributors to this roundtable are far more enthusiastic about the *The Battle of Bretton Woods*. In his wonderful and insightful review, Stephen Schuker argues that "Steil rarely puts a foot wrong. His analysis of policies and personalities, however he has acquired his knowledge, reflects a sophisticated understanding of the inner workings of financial diplomacy." William Glenn Gray believes that the book "is a welcome departure

[1] For a concise overview of his argument about White, see Benn Steil, "Red White: Why a Founding Father of Postwar Capitalism Spied for the Soviets," *Foreign Affairs* (March/April 2013), 115-129.

[2] R. Bruce Craig, *Treasonable Doubt: The Harry Dexter White Spy Case* (University Press of Kansas, 2004).

[3] For an excellent introduction to the recent debate over White and Soviet espionage sparked by Steil's book, see John Earl Haynes and Harvey Klehr, "Washing White: *The Nation* Persists in Espionage Denial," *Washington Decoded*, August 11, 2013. http://www.washingtondecoded.com/site/2013/08/white.html.

from less political, or more American-centric, accounts of Bretton Woods." Darel Paul believes that the book is "an ably crafted narrative centered on "the Faustian bargain Britain struck with the United States in order to survive the war." To be sure, Schuker, Gray and Paul also have serious concerns about elements of Steil's argument. Gray believes that the book "betrays the usual strengths and weaknesses of a personality-based approach." Schuker argues that Steil has attributed too much importance to White's role in the Roosevelt administration's aggressive posture towards Japan in 1941.[4] Paul suggests that the author's focus on competing national interests is a little too simple to fully explain the conflict between the United States and Great Britain, and also questions the larger conclusion Steil reaches about the relative legacies of Keynes and White.

In his thoughtful response to his critics, Steil thanks all three of the reviewers for "their careful, constructive, and genuinely interesting reviews." We could not agree more and offer our appreciation to all of the participants for their contributions to this roundtable.

Participants:

Dr. Benn Steil is senior fellow and director of international economics at the Council on Foreign Relations in New York. He is also the founding editor of International Finance, a top scholarly economics journal, and the lead writer of the Council's Geo-Graphics economics blog. Prior to his joining the Council in 1999, he was director of the International Economics Programme at the Royal Institute of International Affairs in London. He came to the Institute in 1992 from a Lloyd's of London Tercentenary Research Fellowship at Nuffield College, Oxford, where he received his MPhil and DPhil (Ph.D.) in economics. He also holds a BSc in economics summa cum laude from the Wharton School of the University of Pennsylvania. Dr. Steil has written and spoken widely on international finance, monetary policy, financial markets, and economic history. He is a regular op-ed contributor at the *Wall Street Journal*, the *Financial Times*, and *Forbes*. His latest book, *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order*, won the 2013 Spear's Book Award in Financial History and has been short-listed for the Lionel Gelber Prize. *Kirkus Reviews* selected it as one of the Best Nonfiction Books of the Year, the *Financial Times* selected it as one of the Best History Books of the Year, Bloomberg News selected it as one of the Best Business Books of the Year, and it was the top book-of-the-year choice in Bloomberg's poll of global policymakers, CEOs, and economists. His previous book, *Money, Markets and Sovereignty*, was awarded the 2010 Hayek Book Prize. *Financial Statecraft: The Role of Financial Markets in American Foreign Policy* was named one of the "Best Business Books of 2006" by Library Journal and an "Outstanding Academic Title of 2006" by Choice.

R. Bruce Craig (Ph.D.) is a specialist in the history of espionage. In his capacity as past

[4] This argument has also been made by Eric Rauchway in his critique of the book. See Eric Rauchway, "How the Soviets Saved Capitalism," *Times Literary Supplement*, April 5, 2013. For a response, see Benn Steil and Dinah Walker, "Eric Rauchway Battles 'The Battle of Bretton Woods,'" at http://blogs.cfr.org/geographics/2013/04/29/rauchway/ .

Executive Director of the National Coalition for History he was responsible for forcing open the records of the House Un-American Activities Committee (HUAC); his law suit Craig v USA paved the way for unsealing the grand jury records of the Alger Hiss, Harry Dexter White, and Rosenberg espionage cases; too this end he prepared the lead historical briefs written on behalf of the historical community for these cases. Craig has taught American history at the American University in Washington D.C. and more recently at the University of Prince Edward Island (Canada). He is currently a Fellow with the University of New Brunswick (Fredericton) Gregg Centre for the Study of War and Society and is immediate past president (2012) of the Canadian Association For Security and Intelligence Studies (CASIS). He is author of *Treasonable Doubt: The Harry Dexter White Spy Case* (University Press of Kansas, 2004) and a forthcoming biography of American State Department official and Soviet spy Alger Hiss titled *The Lives of Alger Hiss: The Myths, the Masks, the Man*.

William Glenn Gray is an Associate Professor of history at Purdue University in West Lafayette, Indiana. He completed his Ph. D. at Yale University in 1999 and published his dissertation in 2003 under the title *Germany's Cold War*. His recent work explores various aspects of German foreign relations, including arms exports, nuclear non-proliferation, and the international role of the Deutsche Mark. A second monograph, *Trading Power*, is nearly complete.

Darel E. Paul is Professor of Political Science at Williams College, Williamstown, MA. His latest book is *The Theoretical Evolution of International Political Economy: A Reader*, Third edition (Oxford University Press, 2013) with Abla Amawi. He has also recently published work on liberal theories of international political economy for *The International Studies Encyclopedia* (Wiley-Blackwell, 2010) and an article with Michael MacDonald on the politics of Milton Friedman's economics.

Stephen A. Schuker is the William W. Corcoran professor of history at the University of Virginia. He is the author of *The End of French Predominance in Europe, American 'Reparations' to Germany, 1919-33*, and editor of *Deutschland und Frankreich : vom Konflikt zur Aussöhnung ; die Gestaltung der westeuropäischen Sicherheit 1914-1963*.

Review by R. Bruce Craig, Fellow, Gregg Centre for War and Society, University of New Brunswick (Fredericton)

Writers tackling books about alleged spies are forever searching for that illusive 'smoking-gun' document – that crinkled piece of paper buried in some dusty archive box that proves beyond any shadow of a doubt that the subject of their research indeed was spy. Occasionally such discoveries actually change the way scholars view the past. For example, the Venona decrypts (transmissions released to the public in 1995 of secret messages between Soviet agents and their superiors at the KGB's Foreign Intelligence Directorate in Moscow that were intercepted by the US Army Signal Corps) provided incontrovertible evidence about the espionage activities of Alger Hiss and Ethel and Julius Rosenberg.[1]

But in reality 'eureka' documents are few and far between. Occasionally authors who purport to have discovered such documents later learn that their discovery was nothing remarkable; that the item they asserted was so profound and illuminating has little if anything to contribute to the advancement of scholarly knowledge.[2]

Such is the case of a document written by the accused Soviet spy Harry Dexter White that is highlighted in Benn Steil's most recent book, *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of the New World Order*.

Drawing heavily on published primary and standard secondary sources as well as a smattering of archival material,[3] Steil, a senior fellow and director of International

[1] John Earl Haynes and Harvey Klehr, *Venona: Decoding Soviet Espionage in America* (New Haven: Yale University Press, 1999), 167-173, 295-304; 307-311.

[2] The literature of espionage is especially rich in purported document discoveries that later are either debunked or found lacking. Alger Hiss, for example, asserted that he discovered new documentary evidence of 'fraud and forgery' which became the basis for his motion for a new trial after he was found guilty of perjury in January 1950; the court found his 'discoveries' unconvincing. More recently, documentary evidence provided by Jerrold and Leona Schecter in their book Sacred Secrets relating to Harry Dexter White's role in 'Òperation Snow' as well as a document that implicated Robert Oppenheimer in espionage (2 October 1944 memo from Merkulov to Beria) have been deemed to be inauthentic. See Alger Hiss, *In the Court of Public Opinion*, (New York: Alfred A. Knopf, 1957), 363-419. For the Schecter documents, see Jerrold and Leona Schecter, *Sacred Secrets: How Soviet Intelligence Operations Changed American History* (Washington D. C.: Brassey's Inc., 2002), 39-41, 122 and a refutation delineated in Harvey Klehr and John Earl Haynes, "Special Tasks and Sacred Secrets on Soviet Atomic Espionage, *Intelligence and National Security*, Vol. 26 no. 5 (October 2011), 656-675 (see especially 673-675).

[3] While Steil consulted several British archival sources when researching John Maynard Keynes, he apparently neglected to examine the largest (twenty-three linear feet) and perhaps richest source of documentation that relates to Harry Dexter White: his Department of Treasury office chronological files (1934-1947) titled "Records of the Assistant Secretary of the Treasury, Harry Dexter White," (NARA Record Group NC3-56-79, the so-called "Harry Dexter White Papers") that are located in the U.S. National Archives. As a consequence, Steil's book is thin in its discussion of inner workings of Treasury Department staff during critical meetings where the formulation of the IMF and World Bank were being discussed and debated.

Economics at the Council of Foreign Relations, rehashes the well-known story of the institutional founding of the International Monetary Fund and World Bank. What makes Steil's story a bit different than past works on the Bretton Woods institutions [4] is that he attempts to discern the motives the key players, the famed British economist John Maynard Keynes and his American rival, Harry Dexter White. In doing so Steil focuses on a central theme that is old hat: how a "little-known U.S. Treasury technocrat" managed to outmaneuver his witty and brilliant British counterpart in the founding of the post-war economic order (5). In recounting this tale Steil notes (as many historians previously have) that this outspoken senior aide to Treasury Secretary Henry Morgenthau was not only a brilliant economist but also a Soviet spy.[5]

What purportedly makes Steil's book new and remarkable, though, is that in the course of his research the author claims to have discovered the "missing link" (39) that in his opinion presents "a clear motive" for White's spying for the Soviets.[6] Steil came across the document in a large folder of White's miscellaneous writings in his papers at Princeton University (Box 9, folder 18). He claims that this essay by White reveals his sentiments on and admiration for the Soviet-styled planned and controlled economy and this is what motivated him to spy for the Soviets (39-42).[7] In advancing this thesis, Steil attaches great significance to the closing line in White's essay: "Russia is the first instance of a socialist economy in action…. And it works!" (42).

This essay is in fact no "missing link" and neither is this a document (as Steil claims) "apparently missed by his chroniclers" (39). Scholars have known about it for years though they correctly have not assigned any great significance to it simply because it reveals little that is insightful about White's beliefs and it certainly reveals nothing about his motivations in assisting the Soviet underground.[8]

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[4] There is no paucity of books about the founding of the Bretton Woods institutions. See for example, Alfred E. Eckes Jr., *A Search for Solvancy: Bretton Woods and the International Monetary System, 1941-1971* (Austin: University of Texas Press, 1975); Armand Van Dormael, *Bretton Woods: Birth of a Monetary System* (New York: Holmes and Meirer, 1978); George Schild, *Bretton Woods and Dumbarton Oaks: American Economic and Political Postwar Planning in the Summer of 1944* (New York: St. Martin's Press, 1995.

[5] R. Bruce Craig, *Treasonable Doubt: The Harry Dexter White Spy Case* (Lawrence: University Press of Kansas, 2004), 263-278; John Haynes, Harvey Klehr, and Alexander Vassiliev, *Spies The Rise and Fall of the KGB in America* (New Haven: Yale University Press, 2009), 258-262; Herbert Romerstein and Eric Breindel, *The Venona Secrets: Exposing Soviet Espionage and America's Traitors* (Washington, DC: Regnery Publishing, 2000), 29-53;Thomas Sakmyster, *Red Conspirator: J. Peters and the American Communist Underground* (Urbana: University of Illinois Press, 2011), 96-97, 104.

[6] see Benn Steil, "Red White: Why a Founding Father of Postwar Capitalism Spied for the Soviets," *Foreign Affairs* (March/April 2013), 117.

[7] See also, Red White, 17-18.

[8] The Harry Dexter White Papers at Princeton University's Mudd Manuscript Library have been open to researchers for decades; a finding aid for the twelve-box collection was created shortly after the papers were processed in 2006. Historians, economists, and in the 1950s even agents of the FBI and congressional staff investigators for internal security oversight committees scrutinized White's papers for evidence of

White titled the document in question "Political-Economic Int of Future." It is an incomplete twenty-five page undated and unpublished handwritten draft essay that is among White's personal papers that his wife collected from his home office after her husband's death and donated to the Princeton University archives between 1950 and 1955. As the now-retired historian of the International Monetary Fund James Boughton has pointed out in his recent review of Steil's book, in this essay White was putting his musings down on paper in response to a recent bestselling book he had read by Walter Lippmann on the future of America's foreign policy, *United States Foreign Policy: Shield of the Republic* (1943).[9]

Lippmann's book focused on what the well-known columnist believed the United States and its wartime allies needed to do in order to secure the post-war peace. As such, White's essay must be approached in the context of Lippmann's book. In a nutshell, the gist of White's response to Lippmann was that if peace were to be maintained in the post-war world the grand alliance of the U.S., Britain, China, and the Soviet Union needed to continue. Because of White's overarching fear of a build-up of German and Japan economic power in the post-war years, he postulated that the American government needed to draw the Soviets closer to the West and possibly even enter into a tight military alliance to deter possible future German and Japanese aggression. White also observed that with increased government control over industry and with concomitant restrictions on competition and free enterprise, the post-war world the Soviet economy would likely be in an ascendant position in future years. Then, in the last few pages of the essay, White argued that the Soviet economic system was different than that of western democracies and that a centrally-planned socialist economy had certain demonstrated advantages. Then, following twenty-five numbered pages of analysis one finds a stand-alone line on an unnumbered page relating to the Soviet economy with the words, "And it works!" (39-42, Appendix 1, 350).

White's essay appears unfinished, which raises the question as to exactly what is the meaning of the words, "And it works!" in the context of the essay. If one takes into account White's arguments in the previous twenty-five pages, one discovers that there is little if anything in the extended essay that can be construed as a recommendation of, endorsement of, or preference on White's part for the socialist economy over the capitalist model. I suspect that since White had yet to extensively tackle the issue of the purported benefits of the socialist economy in the essay (researchers familiar with White's prose recognize that he characteristically dealt with complex issues in exhaustive length and would have done so in this instance as well), and given the uncharacteristically abrupt

espionage or White's complicity with Soviet objectives. Steil is the only person to ascribe particularized significance to this document.

[9] James Boughton, "Dirtying White: Why Does Benn Steil's History of Bretton Woods Distort the Ideas of Harry Dexter White, *The Nation*, 24 June-1 July 2013 at http://www.thenation.com/article/174646/dirtying-white#axzz2bOBIflRO

ending to the "And it works!" line, White probably dashed off these three words as a reminder to himself that he needed to tackle the larger issue in greater detail when he returned to rework the essay at a later, at which time he would explain exactly how the Soviet system actually "works."

White's essay provides no *new* revelation about how White's mind worked or what he thought about the Soviet economy. His respect for the Soviet-styled planned economy was well known to his contemporaries, including Edward Bernstein, Raymond Mikesell, and scores of others who worked on White's Treasury staff. White's views were equally well known to his contemporaries in the State and War departments and even to several key White House presidential advisors. His views on Soviet-styled economic planning also come as no revelation to his previous biographers either. For example, David Rees's fine path-breaking biography, *Harry Dexter White: A Study in Paradox*, though a bit dated, early 1970s, brought to the attention of readers that White was so interested in centralized control of foreign exchanges and trade that as early as 1933 he expressed to his mentor and teacher, professor Frank Taussig, a desire to go to Moscow and study Soviet planning techniques at the Institute of Economic Investigation of Gosplan.[10] And in my own *Treasonable Doubt: The Harry Dexter White Spy Case* (a book that documents White's activities on behalf of the Soviet underground with special emphasis on allegations of alleged policy subversion), I point out that White's writings and activities demonstrated that not only White but also his wife were enamoured with all things Soviet.[11] What Steil's "discovery" document actually does is merely reinforce the notion that White, as reflected in his essay, was devoted to the view that American-Soviet cooperation was the correct and only path toward peaceful coexistence in the post-war world. And it should be noted that White was not particularly unique in adhering to such a view; his sentiments were not uncommon among the pantheon of other New Dealers.

Steil's book also evidences other flaws. For example, he fails to discriminate between fact and fiction when assessing the writings and often contradictory statements and sworn testimony of Whittaker Chambers. Chambers, a one-time courier for the Soviet underground, was a chimerical character whose bestselling novel book *Witness* held his readers in spellbound suspense in the early 1950s when it was published shortly after the conviction of his nemesis, Alger Hiss.[12] While the thrust of Chambers's story about Soviet espionage in Washington D.C. holds up to critical scrutiny, Steil fails to see the devil in Chambers's narrative details. Consequently, he falls into the trap of quoting verbatim conversations purportedly exchanged between Chambers and his various Soviet handlers and ascribes great significance to them (for one of many examples, see 45-46).

[10] David Rees, *Harry Dexter White: A Study in Paradox* (New York: Coward, McCann & Geohegan, 1973), 39.

[11] For example, evidence of Anne Terry White's interest in the Soviet Union is reflected in the Venona KOL'TsOV memo of 31 July 1944; see discussion in Craig, *Treasonable Doubt*, 257-58.

[12] Whittaker Chambers, *Witness* (New York: Random House, 1952).

Though Chambers' writings in *Witness* probably reflect the gist of his recollections, what Steil cites as authoritative are merely reconstructed exchanges that Chambers put to paper a decade or more after the passage of the actual events. While some hold Chambers's book in reverence and rely his every word as literal truth nearly equal to that of a holy gospel, most scholars do not count on Chamber's book for pinpoint literal accuracy. As the historians John Earl Haynes and Harvey Klehr have pointed out in a recent article for the online publication *Washington Decoded,*[13] of far greater relevance in assessing White's complicity in the Soviet underground is the memo -- the so-called "White Memorandum" -- part of a collection of documents known as the "Baltimore Papers" that Chambers came to possess and made available in November 1948 during a legal discovery proceeding between Chambers's and Alger Hiss's lawyers shortly after Hiss sued Chambers for libel. The White Memorandum as well as the most recent evidence to emerge from the KGB archives (the Venona decrypts *and* the Vassiliev notebooks), not fictionalized dialogue one commonly finds in an espionage thriller, is the stuff that good history is made from.

In an apparent effort to satisfy the interests of the general reader, Steil devotes a good portion of chapter ten to summarizing the evidence that points to White's complicity in Soviet espionage. In doing so he highlights relevant Venona cables relating to Harry Dexter White (Steil, 324-329). They were released some sixteen years ago and Steil is not the first to address them as they relate to White.[14] While the Venona decrypts are highly suggestive that White and others were involved in what one high-ranking Canadian Foreign Service official characterized as "a species of espionage," Steil fails to address them in context with the recollections of former KGB officers and the most recent evidence to emerge from KGB files. Collectively, this evidence should have given cause for more circumspection in Steil's assertions about Venona being the definitive source *proving* White's guilt.

Shortly before his death, Vitallij Pavlov, a retired KGB officer and assistant to the chief of the Military Section of the NKVD (aka KGB) operations in North America during the latter part of the 1930s and 1940s told me in no uncertain terms that White was never "in an agent relationship with us" but rather that he should be more correctly characterized by Soviet intelligence as a "trusted individual" and an "influential friend of the Soviet Union."[15] Additionally, Julius Kobyakov, a KGB Major General who authored the six-volume semi-official history of the Russian foreign intelligence, stated that based on the evidence in KGB files that he had access to White is best characterized as a "sub-source" and was not in full

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[13] John Earl Haynes and Harvey Klehr, "*The Nation* Persists in Espionage Denial," *Washington Decoded*, 11 August 2013 at http://washingtondecoded.com/site/2013/08/wjote.html#more

[14] The first book to do so was Robert Louis Benson and Michael Warner, eds., *Venona: Soviet Espionage and the American Response, 1939-1957* (Washington, DC: National Security Agency, Central Intelligence Agency, 1996).

[15] Vitalij G. Pavlov, interview with Bruce Craig, 10 October 1996. For Pavlov's views on White see also his somewhat self-serving account in *Novosti Razvedki I Konstrrazvedki* (*News of Intellience and Counter Intelligence*), 1995, nos 9-10 and 11-12.

blown "agent" status for the KGB in World War II. Kobykov minced no words and was careful to point out that White's non-agent status did not "necessarily denigrate the quality and value of the information that was attributed to him."[16]

Some of the most recent documentary evidence from KGB files – the so called Vassiliev Papers – tend to support the Pavlov/Kobyakov view of White's status with Soviet intelligence. While the contents of the Venona cables suggest that White was a valued source for the Soviet underground in the mid-1930s and, after a period of inactivity, again during the World War II era, Vassilev's notes sheds new light on the Venona decrypts and helps put them into broader context. Steil's book fails to address inherent contradictions in the Vassiliev notebooks.

Alexander Vassiliev is a former KGB officer and journalist who gained access to secret KGB files in the early 1990s for the purpose of working on a Russian-Àmerican collaborative book –*The Haunted Wood: Soviet Espionage in America – The Stalin Era* (1999) – co-authored with historian Allen Weinstein. In 2005, Vassiliev teamed up again, this time with two other respected historians, John Haynes and Harvey Klehr, and they produced a second book based on Vassiliev's notebooks titled *Spies: The Rise and Fall of the KGB in America* (2009). Shortly after its publication an English translation of the raw contents of the notebooks was posted by on the Internet.[17] They are neither included in the book's bibliography nor mentioned in its notes.The Vassiliev material presents ambiguous and at times conflicting evidence relating to White's activities on behalf of the Soviet underground. But when compared to the Venona decrypts, Vassiliev's notes of KGB memoranda are far more illuminating as they reflect the gist of over two dozen documents that specifically relate to White and his activities. The earliest notebook entry is a 2 October 1941 note in which Nathan Gregory Silvermaster – a sometime Treasury employee and personal friend of White who was trying to cultivate him into agent status – turned over to the KGB a paper written by White (White Notebook #1, 26).[18] The notebooks suggest that in April 1942 White reportedly was still being "used blind" – meaning that his information was being collected and used by the Soviet underground without his knowledge (Black Notebook, 43), with his information most likely being secured and then communicated to

[16] Svetlana Chervonnaya, "De Profundis: Lauchin Currie and Harry Dexter White: Julius Kobyakov Evidence," *Documents Talk.com* website at http://www.documentstalk.com/wp/de-profundis-lauchlin-currie-and-harry-dexter-white-julius-kobyakov-evidence.

[17] See the Wilson Center Digital Archive at: http://digitalarchive.wilsoncenter.org/collection/86/Vassiliev-Notebooks.

[18] For a summary of the archival evidence found in both the Venona decrypts and Vassiliev documents, readers may wish to consult "The Archival Evidence on Harry Dexter White" found at www.washingtondecomded.com/files/hdwappen.pdf and Svetlana Chervonnaya's "Alexander Vassiliev's Notes and Harry Dexter White," *Documents Talk.com* website, http://www.documentstalk.com/wp/harry-dexter-white-in-alexander-vassilievs-notes-on-kgb-foreign-intelligence-files from which much of the following discussion of the evidence is drawn. Readers who wish to consult the primary documentation may access individual documents from the Wilson Center Vassiliev papers site by following the cited reference relating to the specific notebook and page number identified in parentheses in the text that follows.

the KGB as a result of White's frequent interactions with Silvermaster. One could argue then that the report by White that Silvermaster turned over to the KGB in October 1941 may have been secured without White's knowledge or consent.

Like the Venona materials, Vassiliev's notebooks lend support to Whittaker Chambers's claim that White indeed was in "agent" status in the 1930s when Chambers was working for Soviet Military Intelligence. However, this evidence is second hand: "According to the information we [the KGB] have received…". as it turns out some of the contents of this memo is inaccurate: it states that White's one-time relationship – his "friendship," as "a PROBATIONER [agent] of the NEIGHBORS [GRU – Soviet Military Intelligence]…dates back to 1937-1938" (White Notebook, #1, 38). In fact, another cable reflects the probable truth more accurately: that the relationship went back to 1935 (White Notebook #2, 36), a view corroborated by Chambers's recollections.

If that is not confusing enough, White's status with Soviet intelligence after Chambers's 1938 defection through the end of World War II (the time period that Steil's book for the most part focuses on) appears far more clouded. Some evidence suggests that by 1941 White again was in agent status (Black Notebook 174-76) and was considered "the most valuable source" of the Silvermaster network (White Notebook #1, 30). But a 1943 memo contradicts that earlier notebook entry and states that White had yet to be approached (White Notebook #1, 48). Another notebook entry states that White's information "was used without [his] knowledge" (Black Notebook 43), a view more in line with General Kobyakov's take on White); and yet another contradicts all previous memos when we read that "he [White] is not only *not* our PROBATIONER, but *we hardly know anything about him at all*" (emphasis added -- White Notebook #1, 44). Still another entry categorically states that White "[did not] provide documents" (Black Notebook, 5) which contradicts some of Vassiliev's earlier notes as well as Whittaker Chambers's claims about White's productivity.

Can these contradictory views of White's status be reconciled? When assessing the Vassiliev notes – and in order to gain an accurate understanding of White's involvement in Soviet espionage – one must recognize the existence of one evidentiary string that carries through the World War II time period notebook entries: that through the war years there was an ongoing effort by the KGB to break White away from the Silvermaster Communist Party USA (CPUSA) Soviet information-gathering spy apparatus and turn him over directly to a KGB liaison (White Notebook 2, 37; White Notebook #1, 71). KGB operatives stated that as of 1943 there had been "no opportunities to approach 'Jurist'" [one of White's several code names] (White Notebook #1, 48). In September 1944 the KGB New York station chief continued to complain that "'Jurist' is rough around the edges and a lot of work has to be done on him before he will make a valuable informant…[but that] if 'Pal' [the code name for Silvermaster] receives proper and sufficient guidance from us, he will be able to put the 'Jurist' to much more specific and broader uses" (White Notebook, #1, 5). But with the passage of time relations between Silvermaster and White did not improve, in fact they grew downright nasty: one memo in mid-1945 reports "'Robert' [Silvermaster] yelled at "Richard" [another KGB code name for White] and now their relationship is even more strained than before" (White Notebook #1, 67). In the end, Silvermaster apparently had to give up on trying to make White into a *systematic* source for information (White Notebook, #3, 26-27; 29-32).

In spite of the inherent contradictions in the evidence, there is one thing that can be said with some assurance: that from 1944 through the end of his relationship with the Soviet underground (White's relationship with Soviet intelligence came to an abrupt end after the defection of Elizabeth Bentley in November 1945 – (White Notebook #2, 41)), White seems to have reported to the Soviets only what he deemed "necessary himself"…(Black Notebook, 5) and that he thought that his main service to the Soviet underground was "to provide advice on fundamental political and economic issues" (White Notebook, #1, 71) which suggests that White had his own objectives in mind when working the Soviet underground. This interpretation of White's espionage activity is corroborated by several KGB Vassiliev notebook memos including one in which a KGB officer declared that "our worker contacted 'Richard' at Bretton Woods and *asked him to explain a bunch of different issues for us*" (emphasis added, White Notebook #3, 29-32). This view of the nature of White's relationship with the Soviet underground not only is reflected in several of the Vassiliev notebook communications, but also in the key Venona decrypt[19] that documents the gist of a meeting that the KGB finally managed to arrange between White and a KGB officer KOL'TsOV (most likely Nikolai Fedorovich Chechulin, a Soviet State Bank deputy president and member of the Soviet Bretton Woods delegation) shortly after the Bretton Woods Conference. As is evident in these examples, the Vassiliev notebook evidence presents a far more complex and sophisticated take on White than the simplistic one Steil's book or the Venona decrypts alone provide.

So what is the truth about White's espionage activities? First, there is little basis to the allegations of "policy subversion" stemming from the McCarthy era congressional investigations that charged White with everything from being the "author" of the draconian Morgenthau Plan for post-war Germany, to being blamed for creating monetary policies that resulted in the "fall of China."[20]

Second, the Venona decrypts *and* the Vassiliev Papers collectively leave little wiggle room for White's staunchest defenders to continue to assert that he was not involved in activities that, at least by present day legal standards, constitute what I and others have characterized as "a species of espionage,"[21] though espionage none the less. Third (and perhaps most important), White had his own overarching goals in his relations with Soviet diplomats and underground operatives, that being to see the United States and Soviet Union embrace what is characterized in the KOL'TsOV memo as a "new course" (a

[19] Venona no. 1119-1121, New York to Moscow, 4-5 August 1944, hereafter, KOL'TsOV memo.

[20] See discussion in Part II, 'Harry Dexter White and the Subversion of American Foreign Policy' in Craig, *Treasonable Doubt*, 83-215.

[21] Craig, *Treasonable Doubt*, 263.

reference to a policy of post-war cooperation).[22] John Maynard Keynes's brilliant biographer, Robert Skidelsky, recognized this in his assessment of the evidence back in 2000 and I think he paints a far fairer picture of what motivated Harry Dexter White to assist the Soviet underground than does Steil. Skidlesky writes: "A combination of naivety, superficiality and supreme confidence in his own judgment – together with his background – explains the course of action White took. There is no question of treachery, in the accepted sense of betraying one's country's secrets to an enemy. But there can be no doubt that, in passing classified information to the Soviets, White knew he was betraying his trust, even if he did not thereby think he was betraying his country."[23]

So what impact did White's activities on behalf of the Soviet underground have on the development of the Bretton Woods institutions? As Steil concludes, virtually none. He correctly places White squarely in the camp of being a "nationalist….a Keynesian New Deal Democrat" and points out that the so-called "White Plan" that he envisioned for postwar monetary reform and that served as the basis for discussions of the Bretton Woods institutions "certainly bore no imprint of Soviet monetary thinking" (5-6).

In the final analysis, if White was a dedicated Bolshevik and Soviet agent seeking to over-through the capitalist system then one must conclude that given his track record as a co-founder of the Bretton Woods institutions, he was a pretty bad one. Predictably, the plans he devised and the institutions that he and John Maynard Keynes ultimately fashioned gave Soviet Russia's nemesis, the United States, near hegemonic power in ensuing decades. Bottom line, Harry Dexter White's complicity in espionage is all but certain, but Steil's take on White's world views, values, and motivation that led him to assist in the Soviet underground is off base.

[22] See the discussion of KOL'TsOV memo in Robert Lewis Benson and Michael Warner, eds, *Venona: Soviet Espionage and the American Response, 1939-1957* (Washington, D. C.: National Security Agency/CIA, 1996), 322 and Craig, *Treasonable Doubt*, 394, footnote 116.

[23] Robert Skidelsky, *John Maynard Keynes: Fighting for Britain, 1937-1946* (London: Macmillan, 2000), 265.

Review by William Glenn Gray, Purdue University

Four years ago, Liaquat Ahamed scored a smash hit with the publication of *Lords of Finance: The Bankers Who Broke the World*, which went on to win the 2010 Pulitzer Prize for history.[1] Ahamed's insights were informed by his background as an investment banker at the World Bank and BNP Paribas. Despite – or perhaps because of – his lack of training as an academic historian, Ahamed crafted a compelling account of international monetary breakdown in the 1930s by wielding a simple narrative device: identifying and highlighting key personalities. The rigidities of the gold standard and the turmoil of global markets are, it seems, more easily absorbed when presented as a tale of four towering yet clay-footed "lords of finance" from France, Britain, Germany, and the United States.

Benn Steil, another financial expert associated with the Council on Foreign Relations, has picked up where Ahamed left off. In less capable hands, the story of the 1944 Bretton Woods conference in New Hampshire can make for tedious reading. Steil's approach is to treat the re-founding of the international monetary system as an epic clash between the aristocratic British economist John Maynard Keynes and the American technocrat Harry Dexter White. The "battle" suggested in the book's title was not really confined to a three-week conference at the Mount Washington Hotel; what Steil recounts is a prolonged struggle for financial primacy between Britain and the United States.

This is a welcome departure from less political, or more American-centric, accounts of Bretton Woods. In recent years, scholars have tended to treat wartime and postwar institution-building as a projection of American values.[2] For Steil, it was more clearly about power, in particular White's determination that the United States displace London as the world's financial center and make the U.S. dollar the principle vehicle of global trade. White manipulated the proceedings at Bretton Woods from start to finish, slipping in formulations that gave the dollar a privileged and unique standing in the new monetary system. In Steil's rendering, Keynes's extravagant brilliance made him a poor negotiator, and his various trips to Washington resulted in bitter defeats for British interests – which vanity led him to present to Parliament as honorable compromises. "Optimism born of intellectual hubris" persuaded Keynes that the United States would somehow keep Britain's imperial needs at heart. (159)

One of the book's most engaging features is its extended, matter-of-fact discussion of White's espionage on behalf of the Soviet Union. Drawing on the Venona decrypts as well as the testimony of Whittaker Chambers and Elizabeth Bentley, Steil expresses no doubt about White's active desire to keep the Soviet side informed of American thinking. White

[1] Liaquat Ahamed, *Lords of Finance: The Bankers Who Broke the World* (New York: Penguin, 2009).

[2] See, for example, Elizabeth Borgwardt, *A New Deal for the World: America's Vision for Human Rights* (Cambridge: Harvard/Belknap, 2005).

regarded the triumph of socialism as inevitable – though this did not stop him from sketching out a monetary system designed to keep the wheels of capitalist commerce humming in the meantime. Steil is able to show that White's pro-Soviet sympathies had tangible consequences at Bretton Woods; White was ready to let Moscow defy the logic of the new International Monetary Fund (IMF) by enjoying a quota far larger than the value of gold it would pay in. He also lobbied in Washington for an enormous $10 billion bilateral loan to the USSR – even while starkly opposing a comparable level of generosity toward the Brits. White comes across here as another willful optimist: he could not deliver on the loan to Moscow. Meanwhile, for all White's solicitousness, the Soviets turned down the prospect of joining the Bretton Woods institutions.

The author's sympathies appear to lie with war-wounded Britain, and in many respects this is more of a 'special relationship' book than an analysis of the international monetary system as such. Classic topics in U.S.-British relations, such as Lend-Lease and the U.S. demand for the end of Imperial preference, play a significant role in these chapters. Steil shows how the Treasury Department's hardball policies on Lend-Lease helped it to shove the notorious "Morgenthau Plan" down London's throat in September 1944 – though the result was a political debacle for the Roosevelt administration and a boon to Nazi propagandists. He follows the story through to 1947, when America's unsentimental insistence on the return of the pound sterling to convertibility triggered a predictable financial disaster and greatly accelerated the end of empire. Without actually referencing the work of many diplomatic historians, Steil hits upon an interpretation that roughly approximates the conservative British revisionism of John Charmley.[3]

This is a readable, approachable, and wide-ranging account, and – as this reviewer has already discovered – the details are well-suited to liven up undergraduate discussions of monetary questions. Scholars of U.S. foreign relations may find this to be a helpful refresher; what's more, the deckle-edged hardcover version is handsomely produced and a delight to read. Steil's succinct and pithy observations can be genuinely illuminating. Speaking of the "White Plan" of 1942, Steil writes: "Confusingly, White's fund was to look much like a bank, and the bank much like a fund." (128) As a one-sentence characterization of the IMF and the World Bank, one could hardly do better.

Even so, the author's discussion of the Bretton Woods system itself is all too cursory. A brisk postlude sketches out the long-term failure of White's approach. Citing the classic critique of the economist Robert Triffin, Steil depicts inflation as a built-in feature of the 'White Plan': the United States Treasury could not possibly supply all the dollars needed for international liquidity while simultaneously preserving the credibility of the dollar/gold exchange ratio. When European currencies introduced full dollar convertibility in 1958, the dollar began to weaken immediately, and only patchwork solutions could hold the system

[3] John Charmley, *Churchill's Grand Alliance: The Anglo-American Special Relationship 1940-1957* (London: Hodder & Stoughton, 1995).

together for another decade or so.[4]

Missing here is any sense of the tremendous accomplishment at Bretton Woods: the forging of a worldwide system that mitigated the rigid demands of the gold standard while still preserving halfway stable exchange rates.[5] Keynes' earlier ideas were non-starters; central bankers have shown little interest in holding artificial currency units such as his proposed 'bancor' (or the later 'Special Drawing Right'). Perhaps it was not merely blind optimism that led Keynes to fall in line with White, but rather a carefully judged readiness to compromise on immediate problems for the sake of an improved global system. More was at stake than Britain's empire.

In the end, *The Battle of Bretton Woods* betrays the usual strengths and weaknesses of a personality-based approach. Vivid character portraits can help to highlight the emotional dimension of decision-making – a trend embraced by Frank Costigliola in his well-received study *Roosevelt's Lost Alliances*.[6] Historians have ample reason to emphasize contingency, and Steil's focus on people rather than structures is tailor-made for the general reading public. Still, emotions are not merely the province of individuals. Congress in the 1940s displayed a consistently hostile attitude toward the vestiges of London's economic empire, and Steil admits that one could "ask reasonably whether [Keynes], or any other British representative, could actually have achieved a better result for Britain." (288) White's proposals had the weight of gold and came to enjoy the backing of an otherwise implacable Congress. The real surprise of Bretton Woods was not White's triumph over Keynes, but rather the Roosevelt administration's ability to articulate U.S. interests in a form consonant with the workings of a universal trading order.

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[4] This process is sketched out persuasively in Francis J. Gavin, *Gold, Dollars & Power: The Politics of International Monetary Relations, 1958-1971* (Chapel Hill: University of North Carolina Press, 2006). Here again, Steil pays too little regard to the work of diplomatic or international historians.

[5] For a contrasting and more persuasive treatment, see Harold James, *International Monetary Cooperation since Bretton Woods* (New York: Oxford University Press and Washington: International Monetary Fund, 1996).

[6] Frank Costigliola, *Roosevelt's Lost Alliances: How Personal Politics Helped Start the Cold War* (Princeton: Princeton University Press, 2012).

Review by Darel E. Paul, Professor, Department of Political Science, Williams College

In this detailed new title, the Council on Foreign Relations' Benn Steil promises to tell the "story of Bretton Woods", by which he means both the famous 1944 international financial conference as well as the post-WW2 international economic order which it defined (2). The story's lodestar is an ably crafted narrative centered on "the Faustian bargain Britain struck with the United States in order to survive the war" (3). The more closely Steil navigates his path by this guiding light, the more insightful his historical analysis and the more convincing his story. The more he strays – particularly into U.S. policy toward the Soviet Union and the hidden role of Harry Dexter White , the central international economic policymaker for Franklin Roosevelt during the war – the more the book wanders into murky and dangerous waters.

This book has many strengths. However, it is difficult to praise them when White's pro-Soviet sympathies and actions occupy such a prominent position in the text. I leave it to historians to judge Steil's treatment of White's ties to Soviet agents. What makes those ties part of the story of Bretton Woods is Steil's connection of them to the central issue of Anglo-American relations and negotiations. The argument is that White's sympathies for the USSR, in combination with his considerable power and influence within the Treasury Department during the war, go a long way toward explaining U.S. intransigence and stinginess vis-à-vis Britain throughout the eight years between the outbreak of World War Two in Europe and the creation of the Marshall Plan. According to Steil, White wanted and expected close American cooperation with the Soviet Union after the war. The elimination of British economic power thus stood as one piece of "White's vision" (5) for U.S.-Soviet rapprochement.

While both John Maynard Keynes and Harry Dexter White are featured on the book's cover and in its title, White is clearly the story's main protagonist. For all the power he exercised over U.S. foreign economic policy during the early and mid-1940s, White spent most of his time as a government servant in temporary and irregular positions. Steil ably conveys just how "improbable [the] rise of Harry White" (17) really was. From his mysterious selection by the eminent economist Jacob Viner for a three month stint in 1934 advising the Treasury Department on "monetary and banking legislation and institutions" (22) onward, White moved through a series of posts with "no official title of consequence" (5). For some ten years he occupied positions so irregular that he had to be paid out of profits earned though the federal government's Exchange Stabilization Fund rather than receive a regular civil servant's salary (34). Even at the Bretton Woods Conference, White's supreme political victory, he "had no special title within the American delegation" (205). Not until January 1945, just six months before his patron Henry Morgenthau Jr.'s resignation as Secretary of the Treasury and one year before his own departure from the Department, did he become a regularized civil servant with a title to match his influence (253).

Steil ascribes White's influence to his marked intelligence as well as his expert bureaucratic maneuvering. The foundation of his power, however, was always the patronage of Henry Morgenthau. White is repeatedly depicted as Morgenthau's brain, much as Karl Rove was believed to be the seat of intelligence for the supposedly brainless George W. Bush. In Steil's telling, Morgenthau was not only ignorant of economics in general and finance in particular. He also seemed wholly ignorant of White's orchestration of the Bretton Woods Conference (205, 212). Without White, it is not clear that Morgenthau would have had substantive monetary ideas at all. Steil describes White as the "intellectual bedrock" of Morgenthau's policy circle (32), and claims that the very idea of dollar supremacy at the heart of Bretton Woods was "planted in him" by White (126).

This relationship between Morgenthau and White is central to Steil's case. It allows him to cast White as Franklin Roosevelt's *de facto* Treasury Secretary, at least for international economic affairs, and thus ascribe to White the entirety of U.S. foreign economic policy in those years. A consistent goal of that policy throughout the war was the elimination of British international economic power. This included the eclipse of London as an international financial center, the destruction of the pound as a meaningful currency in international exchange, and the dismantlement of the British Empire itself as a significant trading sphere. These goals had been around a long time, of course, although Steil never delves into the array of interests behind them. Certainly American manufacturers looking to increase exports played a role. Nationalists in the Congress (e.g. Senator Robert Taft) driven by ideological concerns also seem to have been important. In fact, this latter group played a useful and ever-present backstage role for U.S. negotiators. Whenever the British pressed their demands, Americans trotted out the Congressional bugbear and insisted that no compromise more favorable to UK interests could meet the approval of recalcitrant conservative Congressmen – this despite the fact that the Bretton Woods agreements ultimately passed the Congress easily (259-60). New Deal political sentiment also seemed to animate some players. According to Steil, Morgenthau in particular saw British financial power as the financial power of London financiers (108). If the power of bankers were to be broken globally, then so must the City and the pound.

Steil relies very little, however, on domestic interests and ideas driving U.S. policy. For the most part his account rests upon a rather simple realist theory of "clashing national interests" (137) to explain the economic conflict between the two countries. This applies to British actors as much as to American ones. White's desire to limit the ability of states to change their currency pegs or draw credit from the International Monetary Fund (IMF) is chalked up to America's status as a creditor nation looking to maintain export market share and the value of debts owed. Keynes's contrary enthusiasm for government access to easy credit through the IMF is ascribed to his nationality more than to his economics. His proposed international currency, the bancor, was in Steil's observation "not coincidentally, convivial to British interests" (143). In short, "where White and Keynes stood on the question of the postwar global monetary structure was determined by where they sat – Washington and London, respectively" (149).

This theory of a bureaucratic embodiment of the national interest unfortunately sits quite uncomfortably with Steil's analysis of Harry White. White is said to have been "obsessed with the sterling-dollar exchange rate" in the 1930s (109). During the war his overriding desire was to secure the dollar as the lynchpin of the post-war international currency regime. He fought any attempt by Keynes and the British to create an international currency which could rival the dollar. He rejected any concessions which would force creditor countries like the U.S. to adjust their policies in response to persistent current account surpluses. Steil credits White's political and bureaucratic skill for the fact that Bretton Woods established an international dollar standard in place of the former international gold-exchange standard (172). While all these policies may have been in the American 'national interest,' Steil never tries to shows *why* Harry White so enthusiastically sought to advance them. In White's enthusiasm to prevent currency devaluation by debtor countries and to fight the pro-inflationary bias of Keynes's plans for Bretton Woods, he was effectively defending the power of U.S. financial interests. This, needless to say, was a rather strange position for a hard-core New Dealer to take. White did speak positively of the role of the IMF as a stabilization fund extending credit to countries experiencing balance-of-payments deficits – credits which would thus have enabled some degree of national economic autonomy from the pressures of global financial flows (133). Yet he also pushed through voting rules at the Bretton Woods conference which granted *de facto* veto power on usage of the credits to the United States, which as a creditor country was unlikely to allow generous access to them (135, 151). And these contradictions don't even begin to broach the question of how to reconcile a defense of American power with White's simultaneous deference to the power and interests of the Soviet Union.

In struggling for some insight into White's complex motives, one possible explanation is intellectual and moral failure on the part of White and American New Dealers in general. Steil nicely shows how Americans of the time seemed unable to understand the role which creditor countries play in contributing to global imbalances. They failed to see how only the U.S. could fully (and only temporary, as Steil notes in the Epilogue) reconcile global openness with national management. They also rejected the Keynesian morality of expecting both debtors and creditors to share in the pain of currency adjustment (144-7). Because of the power of the dollar and of American manufacturing, Washington New Dealers supported a more liberal global political economy. In their view, free trade and free capital mobility did not threaten national economic management – mostly, as Steil ably shows, because they could not imagine the U.S. as a debtor country or the U.S. under competitive pressure from foreign producers. The British, because of their rather different structural position in the global economy, more accurately saw free trade and free capital mobility as threats to national economic management.

Steil hints at another possible explanation. This alternative suggests that White sought to reserve the power of managing the global economy to U.S. Treasury bureaucrats like himself, alone and unencumbered by the demands of outsiders. Steil claims that White sought to insulate U.S. monetary policy from international capital (especially gold) movements and ensure it would be "set entirely at the discretion of American experts" (128). Unfortunately, he offers no real evidence or even argument for the "technocratic vision" (22) interpretation of White's actions. Even if true, the disenfranchisement by such a pro-planning American bureaucrat of technocrats of every *other* nationality still goes begging for an answer.

White's self-aggrandizement plays an implicit role in Steil's account of White's desire to economically press Britain to the wall. At several points the author hints (and more than hints) that White sought to destroy British economic power in order to clear the field for his greater "vision," that of "locking the United States and Russia into political alliance" (136). While White may have been motivated by this factor, the array of American officials who were in basic agreement with the policy of grinding British power to dust yet not in cahoots with Soviet agents is so broad that White's independent influence cannot have amounted to much at all. Consider the evidence Steil presents. Lend-Lease and its stingy treatment of Britain was a State Department initiative (14). State was no different from Treasury in their shared view of British international economic power and a shared desire to end it (115). Anglo-American relations had been 'poisoned' by U.S. (and French) policies which helped force Britain off the gold standard in 1931 and by U.S. actions at the 1933 London Economic Conference (25-6), both predating White's meaningful policy role in Washington by years. The New York Fed had long dreamed of Wall Street supplanting the City as the world's financial capital (67-8). A broad array of American interests opposed U.S. financial aid to Britain and U.S. involvement in the Second World War prior to the attack on Pearl Harbor (97), with most Americans considering the British to be, in the words of historian Michael Howard, "a lot of toffee-nosed bastards" (107). Steil goes so far as to claim that "Congress would expect [Morgenthau] to have drained the British dry before offering them assistance" (102). Even Harry Truman, rid of Henry Morgenthau by this time, abruptly ended Lend-Lease aid just three days after the Japanese surrender. This constituted a "crippling body blow" to the British (276). All this is goes so far beyond the influence of a single bureaucrat at the Treasury Department, even one as influential as Harry White, as to make White's independent contribution to poor U.S.-UK economic relations on the basis of pro-Soviet sympathies so small as to be unmeasurable.

Steil continues this theme in crediting the "lurch in American foreign economic policy" under Harry Truman to the demise of White's influence (5). A competitive relationship between the U.S. and Britain, best seen through the Lend-Lease and Anglo-American Loan Agreements, existed from the 1930s through at least 1946. White resigned his post as Assistant Secretary of the Treasury in early 1946 to take up a position as U.S. executive director of the IMF. Beginning around 1947, a new and cooperative vision with Britain began to emerge, most clearly encapsulated by the Marshall Plan. In the book's Epilogue, Steil clearly sets White and Bretton Woods as the dark counterpoint to the Marshall Plan and its architect, State Department official Will Clayton. But was this new-found cooperative spirit due to a sudden manifestation of the truth of internationalism – Steil does call it an "epiphany" (7) after all – long hidden under the nationalist machinations of White? The conventional and much more convincing argument is that the transformation in U.S. policy was a function of post-war political developments. While knocking the British down a peg or two seemed salutary during and immediately after the war, it began to appear reckless and dangerous in the wake of the developing strains in U.S.-Soviet relations and the rapid collapse of British power in South Asia, Palestine and Greece. Crediting the "lurch" to a bureaucratic power shift from Treasury to State which elevated Clayton's "liberalism" (314), "generosity" (316) and "enlightened internationalism" (315) at the expense of White's narrow and illiberal meanness is simplification in the extreme.

Steil does offer two instances, however, in which White's unusual political leanings did seem to immediately and substantially direct U.S. policy. The first is the role White played in helping the Soviets to secure printing plates for Allied currency that were used in occupied Germany prior to the final collapse of the Nazi government. In Steil's telling, White essentially tricked both the Director of the Bureau of Printing and Engraving of the time and Secretary Henry Morgenthau into transferring a copy of the plates to the Soviet government (273-4). The Soviets used these plates to print an enormous number of Allied marks during late 1944 and early 1945 which they then exchanged for dollars and pounds at fixed exchange rates. This effectively transferred over half a billion U.S. dollars-worth of American and British currency to Soviet hands before the Soviet-printed Allied marks were no longer recognized as legal tender in the western occupied zones two months after the German surrender.

The second instance involves Steil's account of the traditional practice of naming an American as head of the World Bank and a European as head of the IMF. Because of the overwhelming preponderance of American power in 1946, it was fully expected that Americans would head both Bretton Woods organizations. White was originally nominated by Truman as U.S. executive director of the IMF in January 1946 with the intention of later forwarding his name as the first IMF Managing Director, the highest executive post within the organization (297). Shortly after the nomination, Truman was informed by the Federal Bureau of Investigation (FBI) of White's espionage activities. Rather than remove White's name from consideration of both posts, Truman let the initial nomination continue in the interests of "protect[ing] the FBI investigation" while dropping the plan to advance White as Managing Director (299). Rather than call attention to the fact that the obvious American candidate was not being put forward by his own government to become the first head of the IMF, the administration fabricated a story of sensitive deference to the interests of its allies. As Treasury Secretary Frederick Vinson told Keynes, the UK executive director to the IMF, it would not be "proper … to have Americans as the heads of both bodies" (299). Without White's spying and the FBI's report of it to President Truman, "the tradition of a European heading the IMF and an American heading the World Bank would surely have been reversed – assuming Americans would not have laid claim to both" (299-300).

Although featured alongside White in the book's title and dust jacket, John Maynard Keynes plays a distinctly subordinate role in Steil's tale of Bretton Woods. That said, there are many interesting insights into Keynes's behavior on offer. Steil's treatment of Keynes's personal struggles with White and the former's difficulty in coming to grips with the prostrate diplomatic position of his country is well told. Steil appreciates Keynes's moral and ideological commitment to almost any form of internationalism so long as the U.S. would agree to it. This characteristic seems to have underlain Keynes's refusal to support, even simply as a negotiating tactic, a plausible threat to abandon negotiations at the Bretton Woods Conference itself or participation in the Bretton Woods organizations afterwards. Steil has a very good eye for the exercise of power here. The British position was so weak that ultimately the UK had only the power of the powerless – the threat to fail and thus take down the proposed U.S.-dominated order with it.

Yet if Keynes, like White, was so determined by his national affiliations, we need to wrestle with the many contradictions this set up within Keynes himself. Here Steil's treatment is somewhat more satisfying because Keynes comes across as a much more complex, rather than mysterious, figure. Perhaps this is because of the impossible diplomatic position Keynes found himself in. Chosen to represent Britain at Bretton Woods due (in some measure) to his international star power, Steil shows Keynes constantly struggling against his inability to turn that prestige into concrete results at the negotiating table. Several alternative economic paths existed for Britain near the end of the war, but Keynes insisted only one could be trod. He refused outright a possible political alliance of debtor or gold-scarce countries against the United States even as he recognized that "the Europeans and the [British] Dominions" (168) were potentially sympathetic. Keynes probably saw correctly that such an alliance would require a plausible leader and that Britain was not it (180). In the end, even the Dominions resisted (218). What of Britain simply going it alone? The British delegation never seemed to realize that this was their only real power. Steil records how the Soviet Union effectively dictated terms on quota levels to the United States (240-4). Could Britain have done something similar?

Keen to reinforce his argument that individual personalities significantly affected the outcome of U.S.-UK negotiations throughout this period, Steil ascribes the failure of the British to play hardball with the U.S. mostly to Keynes's personal pride (289). Agreeing to devaluation of the pound or a private loan for the British government floated on Wall Street, for example, would have undermined the 'Grand Design' which was supposed to have secured both a Keynesian postwar international economic order and its namesake's place in history. This answer gives a good sense of Steil's general attitude toward Keynes as a man as well as toward his economic theory. The author seems occasionally to revel in Keynes's self-contradictions and political defeats. At one point he tweaks Keynes for lambasting the power of finance while simultaneously making a small fortune as a financial speculator. At another he details White's ability utterly to control the Bretton Woods conference proceedings, devastatingly describing the eminent Keynes as "just another member of the monkey house" (194).

Steil, of course, is on record as warning readers against the "great seduction of Keynesianism", [1] and in the Epilogue he delivers the take-away lesson of the book: Bretton Woods was born to die. Of course, every actor and institution would pass away, but according to Steil, Bretton Woods had so many contradictions baked into it from the beginning that it was never long for this world. This is less Keynes's fault than it is White's, for the dollar-centric Bretton Woods was ultimately "Harry White's system" (334). Yet the similarities between the Keynes and White plans are numerous, and one should not become too obsessed with the dollar-gold standard aspect of the system and lose sight of the many other Keynesian qualities.

Steil's primary critique is that the dollar could not be both fixed to gold and the source of global liquidity. He reviews the famous 'Triffin dilemma' the U.S. faced in the 1960s and early 1970s, namely an increasing number of dollars backed by an increasingly insufficient supply of gold. Various *ad hoc* schemes were concocted in response such as limiting foreign ability to convert dollars into gold or creating the Special Drawing Right through

[1] Benn Steil, "Hayek and the dangers of monetary nationalism," Hayek Lecture 6, 30 November 2010.

the IMF. Ultimately the dollar-gold peg was abandoned and with it the entire Bretton Woods exchange rate system in 1971/3.

But was saving Bretton Woods truly a hopeless task? Steil argues that an international system of fixed exchange rates based on a fiat currency or currencies was impossible. Yet he ignores the fact that powerful political actors, in particular Japan and West Germany, strove mightily to save the Bretton Woods system throughout the 1970s. A system in which the economies of the major currencies had similar inflation rates and coordinated monetary policies could have preserved the world of fixed exchange rates. Despite the global float since 1973, the majority of currencies in the international political economy continue to be pegged, while many others 'dirty float'. Only the biggest ships sail the open ocean, and the goal of currency stability remains. America's choice of global capital mobility in combination with a desire to preserve domestic monetary policy autonomy is what truly destroyed Bretton Woods. This comes, of course, out of the 'impossible trinity' in international economics and international political economy. It implies that Bretton Woods was not doomed to die so much that it was murdered – in this case by its own parent – once it no longer served the political interests of American elites.

Finally, for a book which claims to tell the "story of Bretton Woods," the almost complete lack of interest in the second of the Bretton Woods twins, the World Bank, stands as an important gap. If the IMF never truly played the role which was intended for it, the International Bank for Reconstruction and Development grew into the institutional center of a global push for economic development with dramatic consequences for the world. Unfortunately Steil treats the World Bank negotiations as at best a side show of the Bretton Woods Conference. The Bank's actual establishment is virtually absent from the text. At the conference itself, Keynes led the negotiations on the Bank while White orchestrated what he took to be the much more consequential agreement on the IMF. By focusing wholly on the latter and ignoring the former, Steil is able to too easily praise (if backhandedly) White while pillorying Keynes. Yet which institution – and perhaps, economist – has the greater Bretton Woods legacy? In light of the failures of the IMF to carry out the great plans envisioned for it at Bretton Woods, Steil allows in hindsight that the rancorous struggles between Keynes and White over the stabilization fund amounted to little more than "idle chatter" (331). Steil undermines his book with this admission. The core of the book thus seemingly amounts to scores and scores of pages analyzing nothing more than "idle chatter." The World Bank, on the other hand, made significant economic and political accomplishments, first by channeling capital to reconstruct Western Europe after the war and later as the central institutional pillar of the effort to develop the Global South. So in hindsight, was Keynes really the chump of Bretton Woods and White its dark master?

Review by Stephen A. Schuker, University of Virginia

Bretton Woods and the Triumph of American Monetary Policy

More than one hundred thousand books on World War II crowd the library shelves. Yet not all add to the sum of human knowledge. Misstatements and misunderstandings abound, even on subjects where the evidence ought to seem incontrovertible. A retrospective much consulted by economists and political scientists attributes the origins of the world monetary architecture that prevailed from 1944 to 1971, as well as the founding of the International Monetary Fund and World Bank, to the fruitful cooperation of British and American economists, forward-looking Keynesians all.[1] Benn Steil, by contrast, shows that the British and Americans figured in monetary affairs as in other spheres as "allies of a kind"—always more rivals than collaborators.[2] In every important respect the U.S. Treasury prevailed over the self-interested nationalism of John Maynard Keynes and his Whitehall colleagues, who fought a tenacious rear-guard action, but failed owing to American economic supremacy. The Bretton Woods system, theoretically an adjustable peg but in practice a dollar standard tied to gold, figured as a more flexible but still recognizable fixed-rate adaptation of the gold-exchange standard that the nations had rejected with contumely in the first half of the 1930s. At the 1944 Bretton Woods 'monkey show' in New Hampshire, with seven hundred delegates from forty-four countries in attendance, Keynes drew the media attention and coined some memorable phrases, but had almost no substantive effect on the outcome. Ironically, the chief architect of American victory, Harry Dexter White, turned out to be a Russian agent of influence who perceived no fundamental contradiction between his inspired work pulling the strings at Bretton Woods and his endeavors in other respects to shape policy on behalf of the Soviet Union.

According to the currently fashionable orthodoxy, a group of British and American economists and policymakers formed transnational "epistemic communities" that favored central planning, increased government intervention in the economy, income redistribution, and deficit fiscal policy to maintain full employment. [3] Like-minded specialists on both sides sought to engineer a system of world economic management that would avoid the mistakes of the previous era, dirty currency floats and discriminatory trading blocs among them. They would try to reconcile maximum freedom of trade and capital movements with avoidance of deflation, a guarantee of full employment, and the

[1] Michael D. Bordo and Barry Eichengreen, eds., *A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform* (Chicago, 1993). In 2013 Kurt Schuler and Andrew Rosenberg of the Center for Financial Stability released the unabridged Bretton Woods transcripts in possession of the U.S. Treasury as http://www.centerforfinancialstability.org/brettonwoods_docs.php

[2] The phrase originates with Christopher Thorne, who properly entitles his study of the Far Eastern conflict *Allies of a Kind: The United States, Britain, and the War against Japan, 1941-1945* (New York, 1979).

[3] Mai'a Davis Cross explains political scientists' use of that concept in "Rethinking Epistemic Communities Twenty Years Later," *Review of International Studies* 39 (Jan. 2013), 137-60.

introduction of extensive social welfare supports. A New Deal for the world—or in British parlance a "New Jerusalem" as foreshadowed in the 1942 Beveridge Report—would become feasible. In practice this meant that, in the event of balance-of-payments disequilibrium, the creditor would bear the principal burden of adjustment. The debtor would be spared the rigors of deflation.[4]

In this smoothly written and highly engaging study of Anglo-American financial diplomacy during the war, Benn Steil substantially qualifies that formulation. He shows that the U.S. Treasury largely imposed its own vision of postwar institutions before the fact and that Bretton Woods provided mere elaboration and public ratification of arrangements in which the dollar, with its gold anchor, would become the unique reserve currency. Behind a multilateral façade, the United States would effectively dominate the International Monetary Fund and what came to be called the World Bank. During the first postwar decade and beyond, it would set the rules for adjustment under a diaphanous fig leaf of consultation. As Steil makes clear, the British felt at best ambiguous about an open commercial world. At minimum over a lengthy transition, lasting perhaps until the Greek calends, they preferred a system of managed trade, ongoing Imperial preferences, and restrictions on capital movements to facilitate confiscatory taxation and fund their ambitious welfare state. They accepted the Bretton Woods package with mental reservations as the price of obtaining the 1946 American loan.

The Bretton Woods regime, which came into effect at the end of the war and endured with modest changes until President Richard Nixon torpedoed it in 1971, nevertheless ranks as a remarkable achievement. Michael Bordo concludes that according to all macroeconomic variables—per-capita growth rates, inflation control, money growth, interest rates, real exchange-rate stability, and capital-market integration—Bretton Woods outperformed other monetary regimes from the gold standard of the late-nineteenth century to floating rates of the twenty-first.[5] The system functioned well because the United States, which held three-quarters of the world's gold reserves in 1945, stood prepared to provide liquidity by paying out gold to back up dollars held by foreign central banks. No doubt it helped that the United States provided structural adjustment funds through the Marshall Plan in the early days, that the chief surplus country (Germany) later accumulated dollars for military reasons, that the terms of trade favored industrial powers, and that exogenous shocks remained limited. Eventually gold became undervalued. But the dispositions went awry in the 1960s mainly because the United States eroded confidence by abandoning prudent fiscal and monetary policies at home.

In short, the regime rose and fell along with American competitiveness and relative economic performance. The story Steil tells of how the dollar supplanted sterling thus has

[4] For a summary of this extensive literature, see G. John Ikenberry, "The Political Origins of Bretton Woods," in Bordo and Eichengreen, *A Retrospective*, 155-98.

[5] Michael Bordo, "The Bretton Woods International Monetary System: A Historical Overview," in Bordo and Eichengreen, eds., *A Retrospective*, 3-108.

important implications for the current day. The United States still employs its seigniorage as the printer of engraved green paper to defray a current-account deficit that it has no intention of covering through the export of goods and services. So far world demand for liquidity and the attractiveness of U.S. investments keeps the system afloat. It operates as ever to American advantage. Steil's considered exposition leads one to wonder whether central banks will rest content forever to keep 60 percent of foreign-exchange reserves in dollars as American economic leverage declines further. Still, nothing he says suggests that a new crisis of the monetary regime is imminent.

Benn Steil holds an Oxford doctorate, but is not an academic. He works as director of international economics at the Council on Foreign Relations and edits the journal *International Finance*, which makes front-line macroeconomic findings accessible to policymakers and the mathematically under-endowed. Steil's freedom from academic convention allows him to proceed with great economy of effort and to construct his narrative largely from published sources. He has used the Harry Dexter White papers with some care, and he dips into the Henry Morgenthau microfilm diaries and British official archives held at the Public Record Office at a few judicious points. Purists, nonetheless, will experience occasional puzzlement at footnote references to "Treasury" or "Foreign Office" without further specification. All the same, Steil rarely puts a foot wrong. His analysis of policies and personalities, however he has acquired his knowledge, reflects a sophisticated understanding of the inner workings of financial diplomacy.

Steil begins with insightful personality sketches of his two chief protagonists, Harry Dexter White and John Maynard Keynes. White earned a Ph.D. at Harvard in 1930, served for several years as an instructor there, and published a prize-winning dissertation on French international accounts before World War I. Yet no lower-class Boston Jew with an unfortunate manner stood a chance of snagging a permanent appointment at Harvard in those days. Eventually White trundled off to designated oblivion at a small Wisconsin college. He jumped at the chance when Jacob Viner offered him a temporary berth at the Treasury in Washington to study banking legislation in 1934, worked his way into a permanent slot, and rose by 1938 to leadership of the Monetary Research Division.

Henry Morgenthau, Secretary of the Treasury, had dropped out of college after one year and knew less than nothing about economics and finance. He owed his appointment in late 1933 to the fortuitous circumstance that his wealthy father had bought him an apple orchard adjoining Franklin Roosevelt's Hyde Park estate. Solely on the basis of personal friendship and a puckish sense of humor, Roosevelt had promoted Morgenthau after Acting Secretary Dean Acheson resigned rather than implement the president's illegal gold-buying scheme. Keynes would sneer that Morgenthau was "not merely tiresome, but an ass," and President Truman later dismissed him as a "blockhead" and a "nut."[6] Still, Morgenthau's unconditional loyalty proved vital for Roosevelt across the years. For professional assistance, Morgenthau came increasingly to rely, though not without flashes of jealousy,

[6] Keynes to Nigel Ronald of the Foreign Office, 11 Mar. 1941, FO 371/28796, Public Record Office; Harry Truman, *Off the Record*, ed. Robert H. Ferrell (New York, 1980), 174.

on the technically accomplished and brilliant White, who in every respect except the title served as Assistant Secretary from 1941 onward. White became a Soviet agent in 1935, but never joined the Communist party (the joke held that no one would admit such an abrasive personality to the club). He always clung to the deceptive self-image of a volunteer offering independent advice.

Steil has unearthed a draft essay (the family blocked publication) in which White registers fervent admiration for Soviet institutions and expresses his conviction that the American and Russian economic systems will ineluctably converge by increasing government control over industry, restricting private enterprise, and fostering state trading. In opposing British "imperialism" and embracing Keynesian notions of deficit finance, however, White did not differ appreciably from hundreds of other young intellectuals and agency bureaucrats who stood on the left wing of the New Deal and agitated for radical social change, peacefully or not so peacefully. As scholars across the spectrum have increasingly recognized, Communists formed, at least until 1939, a respectable part of the New Deal coalition.[7] Just a couple of hundred, including a dozen in the Treasury, became actual spies. Many hundreds more, however, remained fellow travelers or self-described "Socialists" and were not caught up in the security dragnet until the 1950s.[8] In actively supporting Lend-Lease aid for Britain to combat "Fascism," but resisting Whitehall's efforts to obtain a blank check to preserve the Empire and perpetuate discrimination against American commerce at the U.S. taxpayer's expense, White and Morgenthau saw precisely eye to eye.

Steil cuts through the propaganda of Keynes's hagiographers and provides a tough though wholly fair-minded sketch of the Cambridge economist's intellectual evolution. Perhaps he understates the aesthetic aversion to American materialism that Keynes shared with his Bloomsbury companions and the Oxbridge literati. Though he shows how Keynes became hypersensitive to the dangers of British diplomatic dependence on dollar aid in World War I, he does not call attention to the economist's opposition to the gold-exchange standard in 1925 on similar grounds—namely that Britain would no longer "call the tune" and might have to curtail credit because of "the horrid fact that every American had ten motor cars and a wireless set in every room."[9] He gives us enough to demonstrate that Keynes, despite his talent for arguing both sides of every question with equal rhetorical dexterity, gradually gave up on the efficacy of public works in the 1930s and began to embrace economic nationalism and home-market protection as the principal remedy for the Depression.

Steil correctly observes that Keynes began to warn, after rejoining the Treasury in autumn 1940, that Whitehall's essential task lay in securing grants rather than Lend-Lease style

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[7] See however the fine distinctions drawn by Steve Fraser, *Labor Will Rule: Sidney Hillman and the Rise of American Labor* (New York, 1991).

[8] Landon R.Y. Storrs, *The Second Red Scare and the Unmaking of the New Deal Left* (Princeton, 2013).

[9] J. M. Keynes, "The Problem of the Gold Standard," 21 Mar. 1925, *Collected Writings* (London, 1981), XIX: 341-42.

loans from the United States in order to prevent "the present emergency being used as an opportunity for picking the eyes out of the British Empire" (97). He does not, in this reviewer's opinion, sufficiently emphasize the degree to which Keynes, who had supported appeasement before the war and half-blamed the Allies for its outbreak, remained through 1941 an admirer of "Schachtian" principles for conducting foreign trade through state-controlled bilateral barter agreements.[10]

When in late 1940 Nazi Economics Minister Walther Funk proposed a "New Order" involving the coordination of production and multilateral clearing through Berlin with the elimination of gold, Keynes refused to "debunk" those proposals because they "coincided so closely with his own ideas as to a better economic order."[11] It seemed to him just "common sense" to eschew laissez-faire trade and currency arrangements after the war, to clamp down on capital flows, to restrict multilateral clearing to the British Empire, and to exchange goods against goods with the United States. Steil nicely explains how greatly Keynes offended American State Department officials in negotiations over the "consideration" for Lend Lease—he called the original American formulation of the Article VII Lend-Lease stipulation against discrimination "lunatic" (116)—but he arguably draws too sharp a distinction between the views held by Churchill and the bureaucrats. Keynes may have transiently indulged the hope that the word "discrimination" had no tangible meaning; Churchill nourished fewer illusions. At least, he signed a Foreign Office dispatch in April 1941 arguing that Britain could never pay back the enormous sums advanced under Lend Lease. Barring unanticipated American generosity, his country would have to make territorial cessions as well as to protect its interests through ongoing exchange regulations and "the bilateral barter-payments agreements advocated by Mr. Keynes."[12]

After wriggling on the hook for many months, the London cabinet eventually felt obliged to ratify the Lend-Lease agreement with its hated Article VII, though naturally in the purest bad faith. The Bank of England and Treasury officials such as H. D. Henderson continued to advocate unadulterated Schachtian policies. Keynes, in contrast, after a good deal of private sneering at "pathological" and "Rip Van Winkle" attitudes on the American side,[13] came around to the view that he had to conjure up a multilateral framework for achieving British objectives.

Keynes fully embraced the liberal domestic consensus in favor of using the exigency of war to create a cradle-to-grave welfare state and, in lieu of a capital levy, to impose a marginal

[10] Robert Skidelsky, *John Maynard Keynes: Fighting for Britain, 1937-1946* (London, 2000), 194-99, soft-pedals the matter. But without consulting Keynes's full dossier on the "New Order" in T 247/85 at The National Archives, Steil could have gleaned the essentials from L.S. Presnell's official history, *External Economic Policy since the War: The Postwar Financial Settlement* (London, 1986), 16-27, 41-74.

[11] Nigel Ronald memorandum, 5 Dec. 1940, FO 371/25208.

[12] Churchill to Lord Halifax, 10 Apr. 1941, FO 371/28796.

[13] Keynes comments (5 Jan. 1942) on Leo Pasvolsky memorandum, "Possibilities of Conflict with Great Britain," 12 Dec. 1941, T 247/94.

income tax rate of 97.5 percent. With his exclusive concentration on demand-side engineering, however, he never devoted much attention to the appalling backwardness of British industry and management practices, which in combination with crushing capital taxation and subsidized hypertrophic consumption by the masses would reduce the country's ex-post growth rate to half that of competitive economies for the entire period 1940-60.

No doubt to maintain pace and focus, Steil sticks to his monetary last and does not address those wider concerns.[14] He provides, however, a notably skillful analysis of Keynes's contrivance of a "Clearing Union," which would protect core British interests while adopting the vocabulary of internationalism and an open trading world. Steil explicates with equal facility the political considerations that lay behind the rival plan elaborated by Harry Dexter White. The White Plan, which like the Keynes plan went through successive iterations in 1942-43, aimed both to reconcile persistent differences in emphasis between the Treasury and State departments and to impose the dollar as the anchor currency in the postwar monetary regime.

Steil elucidates the political realities lurking behind the two ostensibly technical monetary schemes. According to Keynes's draft for an International Clearing Bank, participant nations would settle their balances through a notional unit of account called 'bancor.' Deficit countries, up to generous limits, could borrow from the bank, thus increasing the world money supply and building an inflationary bias into the system. Creditor countries that refused to adjust by importing more would suffer a penalty and lose their excess bancor balances. Votes in the governing institution would track shares in global trade rather than gold reserves, according Britain a disproportionate influence over rulemaking. Strict capital controls, which allowed each country to set domestic interest rates administratively without regard for world market rates, stood at the heart of the project. For Britain, they would guard against deflation and unemployment, facilitate what Keynes had previously called "the euthanasia of the rentier,"[15] and allow Whitehall to freeze the balances that the Dominions and other sterling-bloc members were credulously building up in London. With those multiple safeguards in place, American demands for elimination of trade discrimination became less frightening.

Harry White's competing plan, equally clothed in internationalist garb, aimed to advance American interests almost as crudely. Although manipulation of the media conveyed the opposite impression, the Roosevelt administration had adopted the policy of the 'bad neighbor' during the 1930s. It had drained gold from overseas by holding the dollar below purchasing-power parity and following a hypocritical tariff strategy. The latter expedient

[14] Steil omits from his bibliography the standard works on this subject, including Corelli Barnett, *The Audit of War: The Illusion and Reality of Britain as a Great Nation* (London, 1986); *The Lost Victory: British Dreams, British Realities, 1945-50* (London, 1995); the more forgiving Leslie Hannah, *The Rise of the Corporate Economy,* rev. ed. (London, 1983), ch. 6-9; and Thomas F. Cooley and Lee Ohanian, "Postwar British Economic Growth and the Legacy of Keynes," *Journal of Political Economy* 105 (June 1997), 439-72.

[15] *The General Theory of Employment, Interest and Money* (London, 1936), 375-76.

involved reducing import duties under the Reciprocal Trade Act, but starting from the elevated rates of the Smoot-Hawley tariff and structuring the order of trade agreements so that the most-favored-nation clause applied more to primary producers than to America's industrial competitors.[16] Morgenthau and White acknowledged the need for the United States to supply the capital for economic reconstruction, but wanted to shape the institutions of the postwar world so that Washington would call the shots. The dollar, based on the country's quasi-monopoly of gold, would thereby reign supreme.

As a card-carrying Keynesian in the theoretical sense, White envisioned an International Stabilization Fund that would lend to countries in trouble to avoid deflation, but essentially under American discipline (except for the Soviet Union, which could persist with managed trade). The United States could thus prevent other nations from using currency depreciation as a weapon against American exports. White did not share Secretary of State Cordell Hull's crusading absolutism regarding free trade and Imperial preferences. His plan allowed for more gradual commercial liberalization and some accommodation of Britain's sterling-balance problem. He even included a scarce-currency clause that *in extremis* might permit temporary discrimination against goods from a creditor country. But in practice the carefully qualified scarce-currency clause offered precious little advantage to Great Britain.

Of course, with diametrically opposed interests, the two sides could never have reached a genuine meeting of the minds. Steil chronicles without varnish Keynes's displays of distemper and anti-Semitic condescension during meetings with the U.S. Treasury team. Keynes clearly possessed an unrivalled command of invective. He could scarcely bear to admit that American money trumped his linguistic pirouettes. Eventually, however, he shifted his substantive position, though not without inner trauma. In fact, he continued to hope irrationally, right into the 1945 loan negotiations, that the United States would proffer a free gift rather than a postwar loan, thus misleading Labour politicians who so much wanted to believe, in Kipling's poetic formulation, that wishes were horses and pigs had wings. Still, Keynes did not wholly stick his head in the sand, as did Schachtians at the Bank of England and imperialists such as Lord Beaverbrook. As Steil demonstrates, he came gradually to understand that Britain could not carry through its radical postwar social program without American aid. Nor, given the qualitative superiority of American manufacturing, would the Dominions happily remain in the sterling trading bloc if London elected to go it alone. At the Atlantic City preparatory meeting for Bretton Woods in June 1944, the British in effect ran up the white flag. Keynes could still exercise his refined aesthetic sensibilities, as in the March 1946 Savannah meeting to set up the IMF, where he distastefully portrayed Harry White leading "a Bacchic rout of satyrs and Silenuses" from Latin America bellowing "Onward Christian Soldiers" (304). Sterling's international role, along with the British Empire, crumbled all the same.

Steil had to make a strategic decision, in a book on international finance, about how deeply he could go into White's spying for Russia without distracting from his main theme. The

[16] Lloyd C. Gardner, *Economic Aspects of New Deal Diplomacy* (Madison, 1964).

publication of the Venona transcripts and the Vassiliev notebooks so thoroughly document the activities of the three most prominent spies in the Roosevelt administration—White, the President's in-house economic adviser Lauchlin Currie, and Alger Hiss—as well as those of two hundred lesser figures, that the matter ought now to stand beyond cavil. Yet White particularly still finds resourceful defenders in the academic community. White's champions contend that he saw no conflict between working for the New Deal and promoting a Russian-American alliance and that the attacks on him mask an illicit effort to discredit New Deal economics.[17] The issue holds considerable importance because Henry Wallace intended to appoint White as Treasury secretary had he won the 1948 election. Steil offers a tolerably accurate summary of White's own exertions on behalf of the Soviets. He provides a parsimonious account, however, of President Roosevelt's seeming nonchalance about Communist penetration of his administration and of Harry Truman's subsequent resolve to minimize the political damage to the Democratic party through obfuscation. Steil's colleagues at the Council on Foreign Relations will likely congratulate him on walking successfully between the raindrops.

Steil makes too much of the two memoranda that White wrote on the prompting of NKVD agent Vitali Pavlov in 1941 peremptorily summoning Japan to withdraw from China. The Russians indeed wished to deflect Japanese ambitions southward, and White's second memorandum went into the mix when Secretary of State Hull prepared his ultimatum to Japan that November. But President Roosevelt had long since decided to run the risk of war by challenging Tokyo, and the Japanese fleet had already set out for Pearl Harbor. The narrative of the furtive meeting between the jumpy spy and his Moscow visitor at the Old Ebbitt Grill across from Main Treasury makes for good drama, but White's subsequent intervention hardly determined the outcome.

White had more tangible influence later on, and Steil has not gone into the matter as deeply as he might have. For example, he describes the informer Elizabeth Bentley's assertion that White acted on Russian instructions in arranging delivery of the original German occupation currency plates to Russia as "uncorroborated" (273). In fact, the KGB boasted textually, according to the Venona transcripts, that White was "following our instructions" in delivering the plates.[18] White encountered some defeats as well as victories as an agent of influence, and his attempt to arrange a $10 billion postwar loan to Russia (almost three times the amount for Great Britain) failed owing to opposition from Ambassador Averell Harriman. But he also could boast a record of solid achievement: he and the people he appointed to the Division of Monetary Research delivered no less than 2,765 rolls of

[17] R. Bruce Craig, *Treasonable Doubt: The Harry Dexter White Spy Case* (Lawrence KS, 2004); Roger Sandilands, *The Life and Political Economy of Lauchlin Currie* (Durham NC, 1990); James Boughton and Roger Sandilands, "Politics and the Attack on FDR's Economists: From Grand Alliance to Cold War," *Intelligence and National Security* 18 (2003), 77-99. For full discussion of the revisionist literature, see John Earl Haynes and Harvey Klehr, *In Denial: Historians, Communism, & Espionage* (San Francisco, 2003).

[18] The most thorough account is Tom Adams, "The Trial of Harry Dexter White: Soviet Agent of Influence" (University of New Orleans Theses and Dissertations #177, 2004), http://scholarworks.uno.edu, 34-50.

microfilm through Nathan Gregory Silvermaster to their KGB handlers between 1942 and 1945. This does not count the oral briefings that White furnished to high KGB operatives in and after Bretton Woods and at the San Francisco conference that set up the United Nations.[19]

Steil treads warily in these matters and does not tax the Roosevelt or Truman administrations with lack of vigilance concerning espionage. He admits that Roosevelt "apparently" thought little of the memorandum that Assistant Secretary of State Adolph Berle sent him in September 1939 identifying White, the Hiss brothers, and twenty others as spies (293). But he does not add that the president turned a purposeful deaf ear when Berle tackled him directly on the subject, and that Berle was reduced in desperation to asking the East European Division to route sensitive documents around the elder Hiss. Nor does he report that, after Lauchlin Currie, the highest-ranking spy in the White House, tipped off Silvermaster to the army's efforts to decrypt Soviet communications, Eleanor Roosevelt went personally to see Colonel Carter Clarke, head of the Army Security Agency, and implored him to desist.[20]

Similarly, he presents evidence in an appendix allowing the reader to conclude that President Truman misapprehended the facts when he denied knowing of the "accusations" against White some two months before nominating him as American Executive Director of the International Monetary Fund (296-99, 351-53). He does not say in so many words that Truman lied or indicate why. Steil hypothesizes (324-25) that counterintelligence officials did not share all they knew with the White House, but the admittedly fragmentary evidence available points the other way. Colonel Clarke told Truman about the Venona project in June 1945, though the president, an untutored high-school graduate, had trouble grasping the concept of cryptanalysis. General Omar Bradley, the chief of staff, continued to keep Truman informed in later years and by 1950 could positively identify White and Hiss as agents. Yet Truman, who had trained in the Pendergast school of sharp-elbow politics and placed no value higher than the welfare of the Democratic party, did not want to believe this "goddam stuff" that was "likely to take us down."[21]

It may seem otiose to adduce these small points about a book that treats wartime financial diplomacy with such assurance. The respective attitudes of the Roosevelt and Truman administrations toward Communist penetration of government nevertheless illuminate the atmospherics of the era. They help explain why White could always regard himself as a loyal New Dealer, fighting with an untroubled conscience to bring the progressive forces in

[19] John Earl Haynes and Harvey Klehr, *Venona: Decoding Soviet Espionage in America* (New Haven, 1999), 258-62; Haynes, Klehr, and Alexander Vassiliev, *Spies: The Rise and Fall of the KGB in America* (New Haven, 2009), 258-62.

[20] On these points, see Loy Henderson to James Barros, 24 Mar. 1978, Box 2, Loy Henderson Papers, Library of Congress; and Herbert Romerstein and Eric Breindel, *The Venona Secrets* (Lanham MD, 2000), 27.

[21] Robert Novak, "Did Truman Know about Venona," 29 Sept. 2003, History News Network, http://hnn.us/articles/1706.html

Russia and America together into a principled alliance against British imperialism and colonialism.

Author's Response by Benn Steil, Council on Foreign Relations

I would like to express my gratitude to the editors at H-Diplo for commissioning this roundtable on my book *The Battle of Bretton Woods* and to the reviewers for agreeing to participate. Particularly warm thanks are due to Stephen Schuker, William Gray, and Darel Paul for their careful, constructive, and genuinely interesting reviews. Even where I disagreed with them, I learned from them.

Schuker and Gray grasp the main arguments and conceptual strands of my book as well as any reviewers to date, and frequently distil them with an agility I myself would struggle to match. Their criticisms I find compelling or, at worst, defensible, and it would be a disservice to the reader for me to belabor points of nuance. So I will offer only this short but important caveat to Gray's contention that Bretton Woods' "forging of a worldwide system that mitigated the rigid demands of the gold standard while still preserving halfway stable exchange rates" was a "tremendous accomplishment." This accomplishment was, as I explain in the book, achieved in spite of the hibernation of the International Monetary Fund (IMF) during much of the 1940s and '50s, and partially because of nonimplementation of its Article VIII currency convertibility requirement (331-2). The Marshall Plan and the European Payments Union deserve far more of the credit than Bretton Woods for the revival of economic growth and monetary stability after the war.

Paul develops a few strands of his thoughtful criticism at more length than Schuker and Gray do theirs, so I will devote much more space addressing his review.

Paul argues that I overplay the personal influence of Harry Dexter White on U.S. foreign economic policy, that this narrative "sits quite uncomfortably" with a parallel one of "clashing national interests" between the United States and Britain, and that I underplay "domestic interests and ideas driving U.S. policy."

I accept Paul's highlighting of one instance in which my narrative focus on the person of White, his thought and his actions, may have unduly shifted the spotlight from wider, and more important, political and economic forces at play. This concerns the stark contrast between Bretton Woods and the Marshall Plan as vehicles to address America's foreign policy and economic challenges in the immediate aftermath of World War II.

Broadly, there had been four pillars to White's postwar vision: that Britain's empire could be peaceably dismantled, that the Soviet Union could be co-opted into a permanent peacetime alliance, that Germany could be safely deindustrialized and dismembered (the so-called Morgenthau Plan), and that short-term IMF loans would be sufficient to restart international trade. In 1947, a mere three years after Bretton Woods, the Marshall Plan repudiated all of this.

These beliefs, it turned out, had been based on "misconceptions of the state of the world around us," future secretary of State Dean Acheson later reflected, "both in anticipating postwar conditions and in recognizing what they actually were when we came face to face with them ... Only slowly did it dawn upon us that the whole world structure and order that we had inherited from the nineteenth century was gone and that the struggle to replace it would be directed from two bitterly opposed and ideologically irreconcilable power centers."[1]

By early 1947, Britain was no longer seen as a political and economic rival but as a desperate ally that needed to be saved from communism and collapse. The Soviets could not be co-opted, and needed now to be *contained* (in George Kennan's famous word). West Germany had to be built into a vital bulwark against Soviet expansion - this through rehabilitation and resurrection as the industrial engine of a new integrated Western Europe ('Western Europe' being an American conception). Finally, the IMF, together with its loan-based salvation mechanism, would be mothballed in favor of massive U.S. grants-in-aid to its allies. In using the persons of Harry White and Will Clayton to guide this part of the narrative I plead guilty to oversimplifying a complex story surrounding, in particular, the dawn of the Cold War. I ask only that the court of scholarly opinion allow that one needs a whole book, and not merely a small part of a chapter of one, to do justice to it. This I hope to remedy in my sequel on the Marshall Plan.

Otherwise, I think Paul doth protest a bit too much. My spotlight on White is necessary and appropriate. He was the fount of the most important and consequential foreign economic policy ideas within the Treasury and the government generally. Treasury, contra Paul, was hardly at one with the State Department over treatment of Britain; Acheson in particular fought relentlessly against Treasury's efforts to push it to the brink of bankruptcy. On the domestic-interests front, there was no conflict whatsoever – again, contra Paul – between White's New Deal advocacy and his efforts to stop competitive devaluations against the dollar, which were clearly against the interests of organized labor. "Floating exchange rates during White's time at the Treasury," I explained, were also "anathema to powerful U.S. commercial interests - large exporters and domestic producers - owing to upward pressure on the dollar" (257). Searching for some synthesis between White's "complex motives" and "the power of U.S. financial interests," Paul asserts that New Dealers supported "free capital mobility" because it "did not threaten [American] national economic management." But White (like New Dealers generally) was *hostile* to free capital flows, believing that they undermined the ability of governments to tax. Whereas Keynes wanted capital-flow policy to be left to each IMF member state, White wanted a *requirement* for "member states to cooperate with each other by not accepting foreign deposits or investments without the permission of the sender's government" (150). White's agenda was conspicuously and unashamedly anti-banker, and indeed the American banking lobby fought relentlessly against congressional ratification of Bretton Woods because it viewed the IMF as a government-controlled competitor.

Paul also asserts that "the similarities between the Keynes and White plans are numerous, and one should not become too obsessed with the dollar-gold standard aspect of the

[1] Acheson, Dean. 1969. *Present at the Creation: My Years in the State Department.* New York: W. W. Norton (pp.725-726).

system." Here I naturally disagree; Keynes fought relentlessly for two years against this central feature of White's plan, insisting that the dollar should have no special role whatsoever within the IMF. Indeed, he championed a new supranational currency, bancor, which he hoped would come fully to supplant the international role of the dollar (and gold) – and which White dismissed out of hand, repeatedly. There are other critical features of Keynes's plan that are wholly at odds with White's (explained at length in chapter 6) – in particular, the idea that the IMF should be a passive source of automatic credit for debtor nations, one which would have increased the loss exposure of the United States by nearly twelve times.

Paul closes by charging me with displaying an "almost complete lack of interest in the second of the Bretton Woods twins, the World Bank," and here I plead guilty with no reservation or shame. By the time the conference began in 1944 the Bank had become an item of minor importance to both the U.S. and British treasuries. Paul asserts that whereas the Fund failed "to carry out the great plans envisioned for it at Bretton Woods," which is certainly true, the Bank "made significant economic and political accomplishments, first by channeling capital to reconstruct Western Europe after the war and later as the central pillar of the effort to develop the Global South." Keynes, therefore, he suggests, may have "the greater Bretton Woods legacy." But there are at least four problems with this formulation.

First, the Bank's role in postwar European reconstruction was extremely modest – particularly against the background of the Marshall Plan. The Bank granted four loans for general reconstruction after the war, all in 1947, for a total of $497 million. After the Marshall Plan was announced, the Bank shifted its financing toward specific projects in an effort to supplement Marshall aid. Between 1948 and 1952, the Bank approved $183.9 million in loans to Europe. The total of $680.9 million in Bank *loans* to Europe between 1947 and 1952 pales in comparison to the $12.6 billion in Marshall aid, mostly *grants*, by 1951. Second, using the Bank to develop the Global South was never the intention of the U.S. or British treasuries. Third, whereas a number of poorer countries have developed into rich ones since the war (in particular, Hong Kong, Taiwan, and South Korea), none of them is in the Global South and none of them did so on the backs of development aid. Finally, Keynes may have presided over the commission to create the World Bank – because White put him there to keep him away from the main event, creating IMF – but Keynes had little interest in the institution and certainly played no seminal role in defining its mission or shaping its governance.

Craig raises three substantive points in his review, each of which I will address in turn. The first is that a c.1944 unpublished essay of White's which I discuss in my book and in an article for *Foreign Affairs*[2] – the first publications ever to reference it – is, in his view, unimportant. Craig claims that "scholars have known about it for years," but that I am "the only person to ascribe any particular significance to the document."

[2] "Red White: Why a Founding Father of Postwar Capitalism Spied for the Soviets," *Foreign Affairs*, March/April 2013.

Yet is it possible that a document such as this, written near the end of the war by a highly influential FDR administration official, is too insignificant to bring to the public's attention? A lengthy essay which hails the successes of Soviet socialist economics, and argues that it will presently be ascendant around the world? One which insists that Russia exhibits no expansionary or aggressive intentions? Or that a continued peacetime alliance with Moscow is being stymied by "rampant imperialism" and a "powerful Catholic hierarchy" in the United States? An essay which ends by paraphrasing Lincoln Steffens' famous line after visiting Petrograd in 1919, "I have seen the future and it works"? Could such an essay not even be worthy of being cited in a biography of its author, such as Craig himself published ten years ago? An author who, as Schuker notes, would have been appointed Treasury secretary by Henry Wallace had he won the 1948 presidential election? It would seem to me more likely that Craig's judgment, rather than mine, is flawed, or that he simply overlooked the document during his work in White's archives. Readers will have to judge for themselves.

Craig goes on to allege that I "fail to discriminate fact and fiction when assessing the writings and often contradictory statements and sworn testimony of Whittaker Chambers." Yet Craig offers not a single instance of where I cite fiction in Chambers' account as fact. Craig's final substantive charge is that evidence from the notebooks of former KGB official Alexander Vassiliev "should have given cause for more circumspection in Steil's assertions about Venona [wartime Soviet intelligence decrypts] being the definitive source *proving* White's guilt." Craig states that I do not mention the notebooks, yet I quote directly from them, referencing Vassiliev's book on the notebooks – a book co-authored with John Haynes and Harvey Klehr (327, 403, 412).[3] I also quote from Vassiliev's book with Allen Weinstein (327, 403, 423).[4]

Craig's citing of Vassiliev against me is simply bizarre in the extreme. Craig writes that "Like the Venona materials, Vassiliev's notebooks lend support to Whittaker Chambers's claim that White indeed was an 'agent' in the 1930s." Yes; Vassiliev corroborates *both* "Chambers's claim" *and* the Venona documentary evidence. So why invoke Vassiliev? Craig says that "The Vassiliev material presents ambiguous and at times conflicting evidence relating to White's activities on behalf of the Soviet underground," invoking the authority of "respected historians John Haynes and Harvey Klehr." Yet these respected historians flatly deny any such ambiguity. Here are Haynes and Klehr themselves addressing Craig at a conference on the Vassiliev notebooks held at the Woodrow Wilson Center for International Scholars in Washington, DC in 2009:

[3] Haynes, John Earl, Harvey Klehr, and Alexander Vassiliev. 2009. *Spies: The Rise and Fall of the KGB in America*. New Haven: Yale University Press.

[4] Weinstein, Allen, and Alexander Vassiliev. 2000. *The Haunted Wood: Soviet Espionage in America—the Stalin Era*. New York: Modern Library.

We were surprised that in his review Professor Craig raised yet again the issue of Harry Dexter White, stating that the notebooks contain "exculpatory evidence." He goes on to quote from a 1942 KGB document in the notebooks that, he believes, demonstrates just how ambiguous the evidence against White being a Soviet spy is, and chastises us for not discussing it. We didn't deal with that document in *Spies* or even spend much time on White because we regarded the question of his role as a Soviet intelligence asset as settled by the deciphered KGB cables of the Venona project as well as earlier evidence and testimony from Whittaker Chambers and Elizabeth Bentley. In any event, contrary to Craig's interpretation, the document does not exculpate White.[5]

I heartily encourage readers interested in investigating further Craig's claims regarding the evidence on White to review the Haynes and Klehr documents that Craig himself cites in his footnotes 13 and 18.[6]

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[5] http://www.wilsoncenter.org/event/alexander-vassilievs-notebooks-and-the-documentation-soviet-intelligence-operations-the-united

[6] http://www.washingtondecoded.com/site/2013/08/white.html
http://www.washingtondecoded.com/files/hdwappen.pdf