
Book Review

It Was FDR's Bretton Woods!

by J.P. Rubinstein

The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order

by Benn Steil

Princeton, N.J., Princeton University Press, A Council on Foreign Relations Book, 2013

449 pages, hardcover, \$29.95

Oct. 11—In numerous policy presentations during the 1990s, Lyndon LaRouche presented the need for a New Bretton Woods, based on the actual Franklin D. Roosevelt proposal of 1944, including a return to a fixed exchange rate for international transactions. On July 25, 2007, LaRouche forecast the crash of 2007-08, and the consequent death of the existing financial system. Recently, he has developed the concept, based on the NAWAPA of the 1960s, supported by then President Kennedy (see this week's *Feature*), of a vast history-making project to shape North America's water and climate, with the added forward-looking driver of thermonuclear fusion to upshift the entire power and resource base of the globe.¹ LaRouche has stated that none of this can be achieved without the prior re-enactment of FDR's Glass-Steagall law of 1933. Only this combination can lead to a true economic recovery and make a human future possible.

The thermonuclear NAWAPA LaRouche envisions is a 21st-Century development of FDR's credit-based policy of industry, infrastructure, and science drivers to solve the 1930s Great Depression. These were the policies that defeated fascism in World War II, and led to the emergence of the United States as the greatest agro-industrial power in human history. The fate of humanity today rests on the legacy and quality of leadership that

President Roosevelt gave in creating a United States that could ensure progress for generations ahead.

Why start with this in a review of a book on Bretton Woods? Because *The Battle of Bretton Woods*, and other books of its ilk, such as Amity Shlaes's *The Forgotten Man: A New History of the Great Depression*, are really about burying any vestige of the truth of what FDR represented, to defile his legacy, and so to halt any replacement of the presently dead monetarist system. Not accidentally, the authors are usually anglophile worshippers of the anti-American Adam Smith or later versions, such as extreme positivists like Friedrich von Hayek,² as is our present author, Benn Steil.

Steil has written a book about Bretton Woods which deliberately omits the role of President Franklin Roosevelt in conceiving of this institution, but at the same time, attacks FDR and the United States. To do this, he uses surrogates such as Harry Dexter White. White was an assistant to Treasury Secretary Henry Morgenthau, and the lead U.S. negotiator at Bretton Woods, over which Morgenthau presided. Steil portrays White as the main formulator of the U.S. position at the conference, and the author of the proposed hegemony of the dollar. He even essentially calls White a Keynesian, although White, representing the U.S., rejected British delegate John Maynard Keynes's proposal for an international currency, the *bancor*, and his international clearing house. In sum, Steil both misrepresents FDR's policy, and obscures his authorship of that policy.

This is not surprising. Steil is a senior fellow and Director of International Economics for the Council on Foreign Relations, and a winner of the von Hayek award for 2010. A proponent of a monetarist market view of the economy, he heartily defends the fact that we have moved from a market of trade in goods, to a

1. See "[Nuclear NAWAPA XXI](#), Gateway to the Fusion Economy," *21st Century Science & Technology* Special Report, 2013.

2. For more on von Hayek, see Richard Freeman and Jeffrey Steinberg, "The legacy of Friedrich von Hayek: Fascism didn't die with Hitler," *EIR*, Feb. 17, 1995.

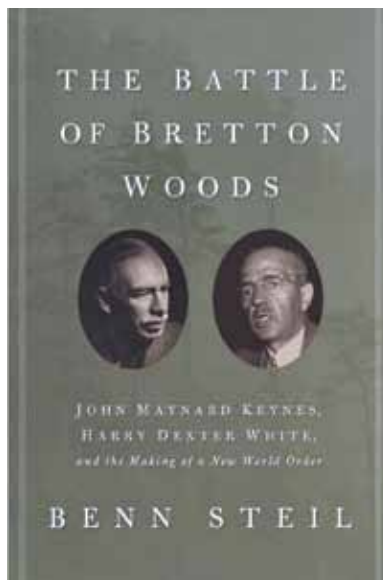
financial-asset market in which financial instruments, such as derivatives, in the range of trillions of dollars, are the area of growth for the U.S. While he opens the book with a reference to the financial crash of 2008, and the subsequent consideration of the need for a new Bretton Woods, the book is written to try to demonstrate that the original Bretton Woods, as devised by White, with the connivance of Morgenthau (who was very close to FDR), was a plot led by a Soviet asset of sorts, Harry Dexter White.

Indeed, Steil dedicates his concluding chapter to an attempt to make the case that, whether he was fully conscious of it, or not, White was a Soviet asset, who disliked the British, and who conveyed privileged information to the Soviet Union through espionage networks that had penetrated into high levels of the U.S. government.

FDR's Bretton Woods Mission

Steil vehemently rejects any defense of White, such as that by the former historian of the IMF, James Broughton.³ But the crux of the fraud of Steil's book is his treatment of FDR, or should we say the non-treatment? The essence of this book is what it leaves out. Steil portrays White as the mastermind of Bretton Woods, and Keynes as the originator of the crucial ideas, except for White's insistence on the preeminence of the dollar, the effect of which, Steil complains, was to weaken, if not ruin, the United Kingdom (read, the Empire). FDR is brushed off as uninterested in, if not ignorant of, monetary policy. It is one more case of the oligarchical effort to wipe out the historical record of FDR—who is viewed as an apostate by British monetarists like Steil, along with Lincoln, JFK, and Alexander Hamilton's American System—by murder, slander, torturous rewriting of history, or perhaps all three.

In reality, Bretton Woods was FDR's concept and policy, and he effectively was the sole author and orchestrator, for whom White and Morgenthau acted as agents. Bretton Woods was a key part of his postwar



vision, along with the United Nations, based on the World War II alliance, and with no “special relationship” with Great Britain. Roosevelt foresaw an end to colonialism and underdevelopment, and stood on the ground of the Westphalian concept of sovereignty and mutual good for all—which meant the end of imperial preferences over trade with colonies—and independence and scientific and technological progress for all. FDR emphatically expressed this outlook to British Prime Minister Winston Churchill on numerous, documented occasions. Elliott Roosevelt's *As He Saw It*⁴ documents that FDR was appalled by, and actively opposed to, the

rule of financial empires, such as the Anglo-Dutch, and saw the end of the war as the moment to change that.

FDR's plan was to move to a basis for the physical-economic development of all nations and the welfare of their populations, as provided in the Preamble to the U.S. Constitution. It also meant equal treatment for all, as expressed in the Four Freedoms, which were real to FDR: freedom of speech and assembly; freedom of religion; freedom from want—meaning the economic basis for securing to every nation a healthy peacetime life for its inhabitants; freedom from fear of aggression by other nations—and all of these freedoms for all nations.

This meant the freeing of India, the greening of Africa, the development of China, and the ability of each nation to produce its own contribution to culture, science, and technological progress. It was also reflected in Roosevelt's insistence on keeping China in the alliance. This was not, as some wish to treat it, political posturing, but principle and intent. This was FDR's mission for the future of mankind after the horror of two world wars, economic depression, and fascism.

The clash with Churchill throughout the difficult wartime alliance was based on this outlook. There was to be no more empire—British, French, Dutch, or any other. This is also the reason that FDR was committed to keeping the Soviets, as problematic as they were,

3. See Benn Steil, “The Lonely Crusade of an IMF Historian to White-wash the Spy Career of the Fund's Founder,” a critique of James Broughton, historian of the IMF, in *Forbes*, Aug. 15, 2013.

4. See Elliott Roosevelt, *As He Saw It*; also, David Bercuson and Holger H. Herwig, *One Christmas in Washington*, 2005.

fully in the alliance, and including them in the economic development to begin with Bretton Woods. FDR believed they were fundamentally no more of a problem than the British, who were committed to allowing the war to continue, thus giving time to the Nazis to make the Soviets suffer as much as possible, by delaying the opening of a Western front.

The British were not only committed to their Empire, but to the Cold War ahead. Steil takes passing notice of the divide between FDR and the British, though he places the weight of blame on White! This was far more than U.S. interest vs. British interest, as Steil presents it. It was a fundamental divide over the nature of humanity, as was the American War of Independence from the Empire.

Steil does say of Roosevelt: “The President had no qualms about tweaking the British whom he thoroughly distrusted” (p. 13).

It is valuable to read FDR’s message to the opening of the Bretton Woods Conference on July 1, 1944: “It is fitting that even while the war for liberation is at its peak, the representatives of free men should gather to take counsel with one another respecting the shape of the future which we are to win. . . . [T]he program you are to discuss constitutes, of course, only one phase of the arrangements which must be made between nations to ensure an orderly, harmonious world. But it is a vital phase, affecting ordinary men and women everywhere. For it concerns the basis upon which they will be able to exchange with one another the natural riches of the earth and the products of their own industry and ingenuity. Commerce is the lifeblood of a free society. We must see to it that the arteries which carry that bloodstream are not clogged again, as they have been in the past, by artificial barriers created through senseless economic rivalries. Economic diseases are highly communicable. It follows, therefore, that the economic health of every country is a proper matter of concern to all its neighbors, near and distant. Only through a dynamic and a soundly expanding world economy can the living standards of individual nations be advanced to levels which will permit a full realization of our hopes for the future.”

White Versus Keynes

What Steil presents as the battle between White and Keynes over the role of the dollar, the financial



FDR Library

President Franklin Roosevelt’s conception of the postwar world was expressed in his “Four Freedoms” (speech Jan. 6, 1941, shown here): freedom of speech and assembly; freedom of religion; freedom from want; and freedom from fear—these were to be the mission of the Bretton Woods conference, and of the institutions it created.

crisis of Great Britain, Keynes’ call for an international currency, the bancor, and an international clearinghouse, which the U.S. rejected, is, in reality, the divide between FDR’s concept of a postwar dollar, as the beginning basis for an international credit arrangement among sovereign nations for physical development, and the British concept of a global monetarist empire.

FDR’s idea was similar to what he had done in the U.S. with the New Deal, starting with the Reconstruction Finance Corporation. In the case of Bretton Woods, this was to be the World Bank for development, with a regulatory role for the International Monetary Fund. All of this was fundamentally opposed by Keynes and the British, and was faithfully put forward by White.

It was Roosevelt’s conception which halted the Great Depression, a concept fundamentally opposed to that of Keynes, who promoted a monetarist policy of money-printing to roll over the financial values, with no real economic effect, and who praised the policies of Nazi Economics Minister Hjalmar Schacht. The latter are the policies of Ben Bernanke and the Federal Reserve today.

An aspect of Keynes that perplexes Steil, is his inevitable, apparent capitulation to the “U.S.” position after furious disagreement on such issues as the location of the IMF and World Bank in Washington, and the role of the dollar.

Steil fails to understand that Keynes’ perspective

was a mirror image of Churchill's, though from different poles of the imperial spectrum. They may have differed over the form the Empire would take after the war, Keynes seeing a less-Stone Age financial imperium, but both realized that they needed the power of the U.S. to be effectively controlled by the demands of Empire. That could never be implemented as long as FDR lived, but began to be effected by the Truman-Churchill combine, and continued through the assassination of JFK, up to Nixon's ending of Bretton Woods in 1971, opening the era of pure, monetarist speculation.

FDR's Bretton Woods was never fully implemented. It was undermined by London and Wall Street, the whole way. One crucial element was Britain's opposition to fixed exchange rates. The British, on at least two occasions, violated agreements on rates. Add to this the use of the pound sterling as a second reserve currency to subvert the system.

With respect to White's openness to the Soviet Union, this was also FDR's policy, not the subversion by communist agents or agents-of-influence. Steil at one point quotes the President speaking before a youth assembly, among whom were likely some sympathetic to the Soviets, cautioning against totalitarianism, in order to show that FDR was not a leftist, as was White—according to Steil.

But FDR neither needs nor would want such a defense. He was open about his effort to draw the Soviets, and yes, Stalin, out of their limits and paranoia to achieve a dialogue based on joint development and security. World War II was a difficult alliance, with a colonial financial system on one side, and Stalin's autarchy on the other, all allied against a fascist force created by the former.

Indeed, the British were the bigger problem, as witness their unwillingness to open the Western front until forced to on June 6, 1944 (D-Day), but to drag out the war in Asia to bend the United States, after FDR's death, to its needs.

Roosevelt believed that by moving immediately,



Courtesy of the Mount Washington Hotel & Resort, Bretton Woods, N.H.
Treasury Secretary Henry Morgenthau opens the Bretton Woods conference, July 1, 1944, reading a message from President Roosevelt: "...Only through a dynamic and a soundly expanding world economy can the living standards of individual nations be advanced to levels which will permit a full realization of our hopes for the future."

even before the end of the war, for a peace based on mutual development, the World War II alliance could initiate a different, non-monetarist world order of sovereign nations, including newly liberated colonies. Today, with the capabilities envisioned by the LaRouche movement, global development projects, including controlled thermonuclear fusion as the driver, and the death of the London-Wall Street axis, this can be done.

This vision is what Steil is burying. First, by leaving FDR's idea of developing policies that are based on an intent to create future progress; and second, by presenting the Bretton Woods Conference as a clash between Keynes, representing a British "national" interest, against a U.S. misled by a Soviet agent-of-influence. Consider also the fact that much of White's outlook was prima facie defensible as emanating from the policy of the U.S. to oppose postwar imperial rule over any part of the planet.

Steil ascribes to Morgenthau, not FDR, the opposition to the Bank for International Settlements and Bank of England head Montagu Norman, and to pre-war supporters of Hitler such as Prescott Bush. Thus he ignores his own previous report that FDR opposed the central banking system. "The President has further demanded

the removal of any reference to ‘Central Banking cooperation’ associating central banking with ‘private finance’ as did his Treasury Secretary [Morgenthau], whereas monetary policy [for FDR] is wholly a matter for government” (p. 33).

One bit of silliness that puts a fine point on Steil’s obsessions is his effort to prove, or at least insinuate, that White caused the Japanese to attack Pearl Harbor, by writing a memorandum that included demands unacceptable to the Japanese, which was ultimately used by Roosevelt.

Low-Level Slander

Steil is profuse, and tries to be witty, in his admiration of the upper-class upbringing and demeanor of the ever-brilliant Keynes, while White is treated as the grubby, gritty, egotistical, ambitious son of a Jewish-Lithuanian immigrant. This is carried to the point of treating Keynes’s anti-semitism as an eccentric foible.

“Keynes was fond of making Jewish quips about White and his deputy Edward Bernstein, referring to Bernstein as ‘a regular little rabbi, a reader out of Talmud, to Harry’s grand political rabbidom.’... The chap [Bernstein] knows every rat run in his local

ghetto, but it is difficult to persuade him to come out for a walk with us on the highways of the world” (p. 174-5).

To say that Steil misses the point, itself misses the point. This is a political attempt, not only to slander the policy created by FDR as the product of a tool of Communism (i.e., White), but of Roosevelt himself, with the claim that he was surrounded by communists and their sympathizers, knew little of what was going on around him, and was an unprincipled politician, and thus a fool. In reality, Roosevelt was acting on principles which he personally cites as emanating from the Preamble to the Constitution. This was his definition of the New Deal, and was pursued similarly regarding foreign policy before and during the war, and would have been pursued after it, had Roosevelt lived.⁵

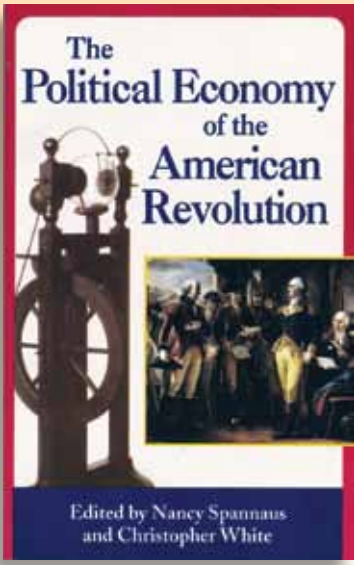
FDR’s anti-colonialism was a faithful following of the American Revolution itself, and a product of his commitment to Hamilton’s American System. The President was led by this commitment to the application of those principles to generations to come. So he was able to lead this nation, and much of the world, out of Depression, and to victory over fascism. LaRouche has often cited this example as most relevant for us today.

Steil, claiming to be an economist, never once mentions physical-economy, or even any element of production—to him it is all monetarism. He fails to even catch a glimpse of FDR’s idea of the use of the productive base behind the dollar to generate a credit base for global development, versus the purely monetary view of Keynes and his backers. He simply continues the tradition of anglophiles who either fail to grasp the principles of our Revolution, or are on the other side, and he attempts to do this through the device of making White the real creator of U.S. policy, and convicting him of Soviet agency of some sort.

While this book may have minimal value for its anecdotes in its upside-down reporting, or in provoking one to look for the real story, it should be understood as an effort to confuse and demoralize those today who would properly look to FDR as an example of leadership representing a unique anti-imperial outlook. As LaRouche has recently commented: Such a leadership should walk in the footsteps of Franklin D. Roosevelt.

5. See Samuel Rosenman, ed., *Public Papers of Franklin D. Roosevelt*, vol. 2, pp. 4-7.

MOST AMERICANS have been deceived as to the economic system which uniquely built the United States. This book presents the core documents, today often hard to find, which defined the political economy of the American Revolution, ranging from the time of Leibniz, to Franklin, and Alexander Hamilton’s famous reports.



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