

Ian Mitchell's Russia-related BOOK RECOMMENDATIONS

03 – *Battle Bretton Woods - Steil*

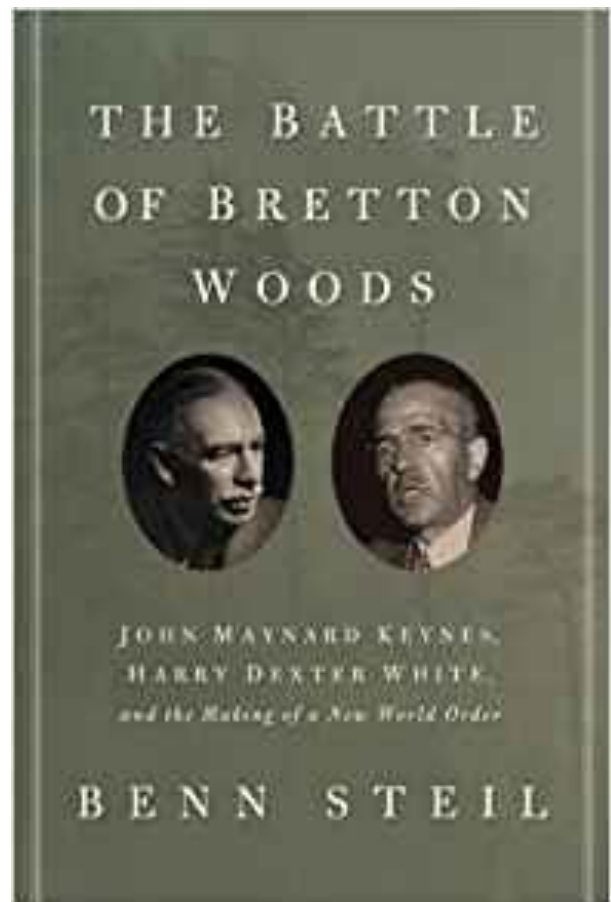
Title: THE BATTLE OF BRETTON WOODS:
John Maynard Keynes, Harry Dexter White, and the
Making of a new World Order

Author: Benn Steil

Publication info: Princeton University Press, 2013
(press.princeton.edu)
(available on Amazon, click on cover image for link)

Keywords: Bretton Woods, currency, Keynes, White,
IMF, World Bank, dollar, sterling

Reviewer: Ian Mitchell, 15 January 2018



Reason to read: This is a fascinating, and well-told story about the negotiations at Bretton Woods in 1944 which set up the IMF and the World Bank. The well-known battle between Keynes and his American counterpart, White, is examined closely enough, yet in a sufficiently wide context, that it becomes clear that Britain was not only fighting a military war with Germany but a longer-term economic one with the United States. White, it subsequently transpired, was a Soviet sympathiser and he tried to arrange the world's new financial architecture to suit the Soviet Union. But for the mulish obstinacy and aggression of the Kremlin leadership, he might have succeeded. As it was, the introduction of the Marshall Plan buried White's approach in a flood of donated dollars, which the Soviets were semi-deliberately excluded from, and the world was made safe for free enterprise, capitalism and the unplanned economy.

Main talking points:

1. In the 1930s the United States was both isolationist and anti-imperialist, which sounds like a contradiction: wanting to ignore the world yet also to shape it. President Roosevelt had to pretend to be isolationist, but he did not have to pretend to be anti-imperialist. He and most of his closer advisors viewed the British Empire both as a relic of an unpleasant past and also a serious competitor for world economic hegemony.

2. Churchill called Lend-Lease a “most unsordid act”, as he had to at the time. But it was in fact a piece of ruthless, deeply sordid arm-twisting by the Americans, to take economic advantage of Britain when it was in dire straits due to having taken a military stand against Germany. Ironically, present Roosevelt and many of his closer advisers recognised in 1940 that if Britain were to be defeated and the Nazis were to gain control over the Atlantic, America would be under serious threat. This did not mitigate the harshness of their approach to Britain, economically.
3. Though Britain’s war-time needs could not be met without agreeing to the American terms, its post-war subservience to the United States was unnecessary, and the result of a general “establishment” belief that it was better to do what the Americans wanted than to try surviving on the open market. This would have been too difficult as many anti-Administration banks in America were offering to finance British bond issues, as was the Canadian government and others. Wall Street was solidly opposed to Bretton Woods, and could have been an ally of Britain’s had the UK been as selfish in its approach to the new arrangements as the Americans had been. It was Keynes who was chiefly responsible for torpedoing that approach, according to Professor Steil for selfish “legacy” reasons (he wanted to go down in history as the man who had got the world off the gold standard).
4. The result was that Britain was treated worse than either the USSR or China, neither of whom honoured any of their deals with America. It was to be 2006 before Britain paid off the last of its wartime loans to the United States.
5. The US-British financial relationship of the 1940s is mirrored today, to some extent, by the China-US one. It is fortunate for the Americans that the Chinese did not take so ruthless a view of their relationship 2008 as the US did of its one with Britain in the 1940s.

Incidental interest: The people who got Britain off the gold standard in 1931 were the Invergordon naval mutineers. It took them just five days. The result was that within three months the pound fell 30% against the dollar, and the British economy started to grow again. Keynes was “giddy with excitement”. “At one stroke,” he said, Britain “had resumed the financial hegemony of the world.” (p. 85)

At Bretton Woods, the Russian negotiation tactic was stone-walling, punctuated by bouts of delay as requests for authority were sent to Moscow. “Led by M.S. Stepanov, the deputy commissar of foreign trade, the Russian delegation could not give an inch on any matter, however small, without cabling Moscow.” Gromyko, the then Ambassador to the US, had told the negotiating team that they were “observers”. They should “not give any opinion of any kind”. The most senior British delegate after Keynes, Lionel Robbins, a London University academic, said, “There is something morally impressive about such monumental selfishness. But I cannot think that it augurs well for the future of the world.” (pp. 233-4)

Style: Clear, crisp, well-organised academic prose. No poetry, of course, but no problems either.

Surprising points: Keynes, who spent his entire life organising the monetary affairs of the UK, and who himself made millions from stock-market and currency trading, gave a talk at Winchester College in 1928 in which he said, “The love of money is a somewhat disgusting morbidity, one of the semi-

criminal, semi-pathological propensities which one hands over with a shudder to specialists in mental disease.” (p. 79)

At about the same time, Keynes asked “how long it will be found necessary to pay City men so entirely out of proportion to what other servants of society commonly receive for performing social services not less useful or difficult” (p. 64)

Link(s): You can hear Professor Steil outlining his story very lucidly here:
<https://www.youtube.com/watch?v=FLse54Eobk4>

Negative issues: None.

Overall recommendation level: Very high.