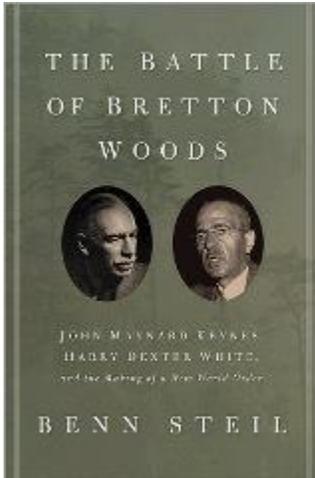


COUNCIL *on* FOREIGN RELATIONS

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Teaching Notes

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

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When turmoil strikes world monetary and financial markets, leaders invariably call for “a new Bretton Woods” to prevent catastrophic economic disorder and defuse political conflict. The name of the remote New Hampshire town where representatives of forty-four nations gathered in July 1944, in the midst of the century’s second great war, has become shorthand for enlightened globalization. The actual story surrounding the historic Bretton Woods accords, however, is full of drama, intrigue, and rivalry—the result of a clash between two different economic visions brought to the fore by rival national interests and personalities. In *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order*, Benn Steil upends the conventional wisdom that Bretton Woods was the product of an amiable Anglo-American collaboration. Dr. Steil shows that in reality it was part of a much more ambitious geopolitical agenda hatched within President Franklin D. Roosevelt’s Treasury that aimed at eliminating Britain as an economic and political rival.

This book offers sophisticated but accessible analysis of alternative monetary and exchange-rate regimes in their historical context, making it a valuable text for undergraduate and graduate courses on:

- International finance and monetary policy
- Twentieth century economic history
- International political economy
- Twentieth century U.S. and European history and politics

Discussion Questions

Courses on Finance and Economics

1. Why did the United States champion fixed exchange rates during the 1940s, and why does it advocate flexible exchange rates today? What are the main political and economic factors that brought about this change?
2. What would the American and British architects of Bretton Woods think about the way in which exchange rates and international capital flows are permitted to operate today?
3. What are the similarities and differences between the U.S.-UK creditor-debtor relationship in the 1940s and the China-U.S. creditor-debtor relationship today?
4. According to the original Bretton Woods blueprint, what role was the International Monetary Fund supposed to play in the global economy? How and why was this role different from the role it actually plays today?
5. Do we need a “new Bretton Woods”? Is such a thing politically feasible? Why or why not?

Courses on Twentieth Century U.S. and European History and Politics

1. What role did international monetary conditions in the 1930s and '40s play in the collapse of the British empire after World War II?
2. What lessons does the Bretton Woods saga offer for how U.S.-China relations will evolve?
3. How should historians today think about Harry Dexter White's affinity with the Soviet Union in the 1930s and '40s, particularly in regards to his personal interactions with Soviet officials and their secret American conduits?

Essay Questions

Courses on Finance and Economics

1. After World War II, there were many prominent critics of the Bretton Woods fixed exchange rate system. Discuss some of the pros and cons of the main alternatives debated in the 1960s and '70s, such as a supranational currency (Robert Triffin), the classical gold standard (Jacques Rueff), floating exchange rates (Milton Friedman), and competing private currencies (Friedrich Hayek).

2. Why did the Bretton Woods fixed exchange rate system collapse in the early 1970s? Consider whether the system itself was flawed, or whether it could have been sustained indefinitely through different national economic policies.
3. Why did the gold-exchange standard established after World War I collapse in the early 1930s? What role did President Franklin Roosevelt's Treasury Department believe this collapse played in fueling the Great Depression and creating the conditions that led to World War II? Do you believe this assessment was accurate?
4. Was Keynes's idea for a supranational currency a good one? Should the United States support the emergence of such a currency today? Should China?
5. Will the U.S. dollar continue indefinitely to be the world's dominant currency for international trade and central bank reserves? Discuss the most likely alternatives.

Courses on Twentieth Century U.S. and European History and Politics

1. To what extent did British national interests determine the economics that Keynes advocated at Bretton Woods? To what extent did Keynes's economics color his performance as a diplomat and a representative of British interests?
2. Discuss how power and national interests came to define the outcome at Bretton Woods in 1944. What does the Bretton Woods saga teach us about the role of national interest in the making of international economic policy?
3. What does the Bretton Woods saga teach us about the role of economics in the making and conduct of foreign policy?
4. How and why did the American political and economic thinking underlying the Marshall Plan in 1947 differ from that underlying Bretton Woods in 1944?
5. Discuss the importance of economics in the rise of the United States and the fall of Great Britain as global powers after World War I.

Further Projects

Media Analysis

Have students take a recent media report or commentary on reform of, or alternatives to, the current international monetary system or the International Monetary Fund and write a brief paper (two to four pages) discussing it in the context of the 1944 Bretton Woods accords. Ask them to address the following:

- What does the media report or commentary see as the main flaws in the current architecture?
- How did these flaws emerge in the discussions leading to the Bretton Woods accords, or in the aftermath of the accords?
- To what extent did national politics play a role in creating these flaws?

United States and China Position Papers for a “New Bretton Woods”

Assign students to one of two groups, one representing the United States and one representing China. Have them draft position papers indicating how each side thinks the current global monetary and financial system should be changed. The U.S. side should consider factors such as the dominant role of the dollar internationally, the country’s current account deficits, and its large international debt. The Chinese side should consider factors such as growing international use of the renminbi, the country’s current account surpluses, its enormous foreign exchange reserves, and its status as the largest international creditor nation. The students should present the position papers, and then discuss as a class whether and how the differences might be reconciled to forge a “new Bretton Woods.” To the extent that they cannot be reconciled, discuss what was different at Bretton Woods—particularly in regards to the different circumstances faced by the United States and Great Britain.

Discuss the Harry Dexter White Spy Case

Harry Dexter White is a controversial figure among historians: the primary witnesses to his alleged illegal activities are themselves spies, the physical evidence regarding the extent of his espionage is subject to interpretation, and his motives cannot be considered entirely transparent. The words “spy” and “agent” suggest that one is following orders from abroad, whereas White was by all appearances an independent thinker who did not follow orders reliably; he acted on his own volition.

Review with students the evidence in his case, such as Whittaker Chambers’ testimony and documentation, the Venona decrypts, and White’s own writings. Discuss also, highlighting the contrast, White’s longstanding pursuit of global U.S. dollar preeminence.

Have students discuss in breakout groups whether it is possible to be both a “spy” and a “patriot.” Have them share the main points from their discussion with the class. End by facilitating a conversation on the extent to which it is part of human nature to have values and aims which are in conflict with one another.

Supplementary Materials

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