

**THE TRIFFIN MISSIONS:
UNCONVENTIONAL AMERICAN MONEY DOCTORS IN THE AGE OF
THE GOOD NEIGHBOR POLICY**

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Abstract: This paper analyzes a set of financial advisory missions led primarily by Robert Triffin of the US Federal Reserve Board to Latin American countries in the 1940s. These missions developed an entirely new approach to international “money doctoring” that rejected both the content and style of the better known US financial advisory missions led by Edwin Kemmerer during the 1920s. This new set of financial missions was driven by a number of ideational, strategic, economic and bureaucratic motivations that emerged from the politics of the New Deal and the Good Neighbor policy. The episode highlights the diversity of US international money doctoring experiences, the multiple sources and wider significance of the Good Neighbor policy, and the impact of “embedded liberal” ideology on US financial policy towards poorer countries.

During the 1940s, the US Federal Reserve launched a series of financial missions to Latin America which differed dramatically, both in content and style, from the missions of the famous American money doctor Edwin Kemmerer two decades earlier. Instead of prescribing classical liberal policies, these missions recommended more interventionist policies that were in keeping with the ‘embedded liberal’ ideology that underpinned the Bretton Woods order being built by US policymakers at the time.¹ In contrast to the Kemmerer missions, US officials in the 1940s also went out of their way to draw upon, and learn from, Latin American expert views, and to adapt their advice to the distinctiveness of each country’s circumstances and needs. These missions were well received across Latin America, acting as one of the most popular aspects of the US government’s Good Neighbor economic policy towards the region in this period.

Despite their importance, these missions – led primarily by Robert Triffin, the head of the Latin American section of the Federal Reserve Board during 1942-46 - have been largely ignored by historians of US foreign policy. Drawing on US archival sources, this paper provides the first detailed analysis of the origins and purpose of these missions. The first section outlines how the missions were born in the context of a shift in the content of the Good Neighbor policy towards Latin America during the late 1930s and early 1940s. The second section describes the unconventional content and style of the Triffin missions vis-à-vis the Kemmerer missions. The third section explains the emergence of this new approach to ‘money doctoring’ in US foreign economic policy by examining the role of ideational factors, US strategic and economic interests, and intra-bureaucratic struggles. The paper concludes with a brief discussion of the importance of

this episode for scholarship on international money doctoring, US-Latin American financial relations, and the origins and significance of embedded liberalism in US foreign financial policy.

1.

The Triffin missions grew out of a transformation that took place during the late 1930s and early 1940s in the Roosevelt administration's Good Neighbor policy towards Latin America. In the early-to-mid 1930s, the phrase 'Good Neighbor policy' had been used by US officials to highlight that the United States would refrain from intervening politically and militarily in Latin America. But by the late 1930s and early 1940s, it came to be associated with a much more active idea of a close economic partnership with Latin America designed to promote economic development in the region.

This shift emerged partly in the context of US fears about the growing Nazi economic and military influence in the region.² In the security realm, American policymakers recognised that the US relied considerably on Latin American sources of various strategic raw materials and they also expressed concerns about how Nazi military influence in the Americas might threaten US security more directly. The growing German economic influence also concerned US officials because the region was an important source of commodities and a profitable investment location for American businesses. Throughout the 1930s, New Deal officials had also seen American exports to Latin America as an important component of their efforts to promote a domestic economic recovery in the US.

In addition, US policymakers were driven by a fear of what Green has termed Latin American 'revolutionary nationalism'.³ In the wake of the Great Depression, liberal regimes across Latin America were increasingly challenged by domestic political groups – on the right and left of the political spectrum - that rejected the laissez-faire, export-oriented economic policies of the pre-1930s era in favor of more statist economic policies that would promote industrialization, the growth of an internal market, national ownership, and better social conditions.⁴ Some aspects of this trend of Latin American economic policy clearly threatened some US economic interests in the region, as dramatic developments such as Bolivian and Mexican confiscation of US oil property in 1937 and 1938 highlighted well.

From the perspective of US government and business elites, it became increasingly important for the US government to endorse a new model of economic cooperation with Latin America to offset both the Nazi influence and the appeal of radical economic ideologies. This included a new commitment to provide financial and technical assistance to Latin American governments that could help diminish German influence, promote political and economic stability, secure investments, and cultivate markets. This program was also explicitly designed to support many of the new 'developmentalist' goals of Latin American governments. While rejecting radical economic policies, US officials were willing to back moderate economic nationalist objectives of using targeted state intervention to support industrialization and other domestic economic and social goals.

This latter aspect of the new policy also had important ideational roots.⁵ Many of the US policymakers involved in US-Latin American economic relations in this period

were inspired by the values of the New Deal. In their view, Latin American experiments in state-regulated capitalism echoed their own initiatives within the US, and were thus deserving of US support. The sense of solidarity with Latin American initiatives had been reinforced by the New Deal sentiment that Latin America had often been the victim of the same US financial elite that was blamed for American economic problems in the Great Depression. Before the 1930s, US policymakers had generally attributed Latin America's economic problems to Latin Americans themselves. In the wake of the Depression, many Americans identified more with the Latin American economic plight and welcomed an opportunity to correct past wrongs in US economic relations with the region.

These views were not held by all US officials who developed economic policy towards Latin America in the late 1930s and early 1940s, as we shall see. But some of the most influential were clearly sympathetic to them. Included in this category were many Treasury officials, most notably Harry Dexter White who played a central role in reorienting US financial policy towards Latin America in the 1938-1942 period. Also important were a number of New Dealers within the State Department such as Sumner Welles (the powerful assistant secretary of state for Latin America) and Adolfe Berle (a member of Roosevelt's brain trust, and assistant secretary of state after 1938). As we shall see, Triffin and other Federal Reserve Board officials were also clearly in this camp.

A number of important initiatives were undertaken by US policymakers committed to the new model of economic cooperation with Latin America. Beginning in late 1938, the Roosevelt administration began to extend loans from the Export-Import Bank and Exchange Stabilization Fund to support trade expansion, currency stabilization,

and various Latin American state-sponsored 'development' projects. After the outbreak of WW2, the US also helped Latin American economies adjust to the loss of European export markets by expanding financial assistance, fostering trade diversion, purchasing surplus commodities and stabilizing commodity prices. In April 1940, it announced an even more ambitious proposal, which had been developed primarily by White in cooperation with Latin American officials, for a publicly-controlled Inter-American Bank (IAB) that could provide short-term balance of payments support and longer-term development loans as well as financial advice. A number of analysts have noted that this Bank proposal was a direct precursor to White's initial drafts to create an International Bank for Reconstruction and Development (IBRD) and International Monetary Fund (IMF) at the global level in early 1942.⁶

Of interest to this paper was one further aspect of this new Good Neighbor economic policy: the sending of US technical experts to support Latin American development goals. This policy was first backed by US Congress in 1938 and immediately several Latin American governments requested technical assistance in the *monetary* realm. The question quickly arose: which government agency should respond to these requests? In the 1920s, the Federal Reserve Board had been passive at the international level, leaving the task of foreign missions to the Federal Reserve Bank of New York (FRBNY), private New York bankers, and prominent liberal economists such as Kemmerer.⁷ But in the wake of the 1929 stock market crash and the Great Depression, Roosevelt's New Dealers set out to assert greater centralised political control over both private financial firms and the privately-owned Reserve Banks of the Federal Reserve System, especially the powerful FRBNY.

With the 1935 Banking Act, the locus of power within the Federal Reserve System had shifted decisively to the Washington-based Federal Reserve Board whose members were all appointed by the US President (and confirmed by the Senate).⁸ The Board now approved the selection of the heads of the Reserve Banks as well as their budgets. The Reserve Banks could also no longer authorise open market operations without the approval of the Federal Open Markets Committee of the Board, a body on which a majority share of the vote was granted to Board members instead of the Reserve Bank presidents. To cap things off, Roosevelt appointed a private banker from Utah with rather unorthodox monetary ideas, Marriner Eccles, to be chairman of the Federal Reserve Board.

These changes were accompanied by shifts in US international monetary policy. Board officials such as Walter Gardner, Emmanuel Goldenweiser, Chandler Morse, and Alvin Hansen began to make official trips abroad, primarily to Europe.⁹ Throughout the 1930s, the Treasury also began to assume a much more prominent role in setting US international monetary policy and representing US interests in international monetary conferences. With the advent of the Good Neighbor policy of the late 1930s, the Treasury's new role began to be reinforced. Under the leadership of Henry Morgenthau and his assistant Harry Dexter White, the Treasury started immediately to assume a lead role in coordinating the US lending program to Latin America. And some Treasury officials also showed an interest in getting involved in financial advisory missions to Latin America. Indeed, one Treasury official had already in 1938 outlined some very ambitious plans in this field, proposing the creation of a full-time Treasury 'Financial

Counsellor Service' involving the placement of Treasury officials in every major city of Latin America and backed a staff of full-time experts.¹⁰

As early as May 1939, officials in the Federal Reserve Board, such as Walter Gardner, expressed their worry that the Treasury would come to dominate the financial advising role unless the Board developed expertise and personnel in this area. Their concerns about the Treasury's dominance of Latin American financial policy only intensified during the discussions that lead to the IAB proposal in 1939-40. Treasury officials such as White and Morgenthau insisted in early 1940 that the IAB be controlled by national governments, not central banks (as was the Bank for International Settlements). Gardner and Goldenweiser strongly resisted this suggestion, worrying that it would further undermine the position of the Federal Reserve System within the US government.¹¹ A compromise was finally reached in late January: the Bank would be government controlled, but each government could choose the manner in which its directors were appointed and shares were held. The Federal Reserve System was then selected as one of four US government agencies which would determine policy of the American director of the Bank.

This outcome only reinforced the need for the Board to develop independent expertise in the Latin American area in order to influence the policy of the Bank once it was established. At this time, the Board lacked not only expertise but even basic information on Latin American developments. The State department jealously guarded the content of its consular reports. The Board was also not privy to the major studies of Latin American countries being generated by the new 'Office for the Coordinator of the Commercial and Cultural Relations Between the American Republics' (soon renamed

Office of the Coordinator of Inter-American Affairs); it was mandated initially to share its work only with a committee comprised of representatives from the Departments of State, Agriculture, Treasury and Commerce.¹² Although the IAB proposal was ultimately opposed successfully by Congressional conservatives and New York financial interests (most notably W.Randolph Burgess, the Vice-President of National City Bank of New York), the prospect of its creation continued to attract the attention of Board officials such as Gardner until well into 1943.

The Federal Reserve Board found its first opportunity to participate substantially in Latin American work in 1941 when the Cuban government asked the US State Department to organise a US technical mission to provide advice on establishing a central bank. The mission would be the first high-profile US financial mission to Latin America in many years and State department approached both White and Gardner for help, making clear that the head of the mission needed to be a well-known figure to ‘impress the Government with the importance that we have attached to their request’.¹³ When White made it clear that he hoped to lead the mission, Gardner pushed the Board to resist this outcome by recommending Goldenweiser – a person the State department had mentioned as fitting the ‘high profile’ qualification. As Gardner put it, ‘Since the business in hand is that of creating a central bank, I think it would be unfortunate if this country have the impression that this was regarded as a province of the Treasury rather than of the Federal Reserve System’.¹⁴ But the Board was not willing to free Goldenwieser from his other responsibilities for the task, and White was selected to lead the mission.¹⁵

The mission was made up of Gardner, two other Treasury officials, and a Federal Reserve Board lawyer. White initially attempted to control the agenda, but the Board

representatives successfully resisted this and were quickly satisfied with the degree of consultation and cordiality on the team.¹⁶ Indeed, Gardner even reported to Goldenwieser that the mission seemed to be helping ‘in a small, but nevertheless significant, way improving our relations with the Treasury’.¹⁷ Its reports were completed in the spring of 1942 and they advised the Cuban government to launch a complete overhaul of its monetary system. At the time, Cuba had no central bank and its monetary system was dominated by the use of US dollars. It was now advised to de-dollarise and create a new governmentally-controlled central bank. The latter was empowered not just to act as a lender-of-last-resort and to lend to the government, but also to conduct a more activist monetary policy aimed at domestic needs rather than solely at maintaining the external balance. US advisors also recommended the creation of a Stabilization Fund to help protect the stability of the Cuban currency, and even allowed for the use of exchange rate adjustments and foreign exchange controls to correct payments imbalances.¹⁸

These ambitious goals signaled that a clear departure from the more orthodox economic liberal ideas that inspired Kemmerer’s thinking. In his earlier money doctoring missions, Kemmerer had always advocated independent central banks with quite limited powers and whose primary purpose was that of maintaining the convertibility of the currency into gold at a fixed rate. The quite different advice of the Cuban mission provoked strong opposition from New York bankers (with Burgess again taking the lead role) and the banking community – both American and Cuban - within Cuba (whose membership on the US technical mission had been explicitly rejected by the State department). It also worried the newly appointed and conservative US Ambassador, Spruille Braden, who later during the McCarthy era accused White of having used the

mission to advance his alleged pro-Soviet agenda. Braden's objections were overruled, however, by Welles and other State Department officials in Washington who chided him for his outdated conservative financial views and for his attempt 'to deny to Cuba the sovereignty over these [monetary] matters which is enjoyed by all independent countries'.¹⁹

Given the controversy, it is important to note that the mission's reports were supported not just by the two Board members on the mission but by the Federal Reserve Board itself, including Eccles.²⁰ This support provided an important first signal of the direction of the Federal Reserve Board's thinking about Latin American monetary problems. It may also have left White and Morgenthau more willing to accept the Board's subsequent leading role in Latin American financial advising.²¹

II.

The full development of the Fed's approach to the issue then became apparent after the hiring of Robert Triffin. Triffin was a Belgium-born economist who had received his Ph.D. from Harvard (where he won the Wells prize for best thesis) and taught there since 1939, and whose research had focused on 'pure value theory'.²² In August 1942, he joined the Federal Reserve Board's research division and headed up its Latin American section. He quickly set to work on developing a major set of research studies assembling statistics on money and banking issues for each Latin American country as well as analyses of their central bank operations and monetary and banking legislation. The goal was to have a set of country studies which, after receiving comments

from each Latin American central bank, could be published in a single volume titled 'Central Banking and Money Markets in Latin America.'²³

Although Triffin completed a first study of Colombia in the fall of 1943, his time was soon filled up with the task of financial advising. His first opportunity for work of this kind came with arrival of the head of the Paraguayan state bank in Washington. As far back as 1938, officials in Paraguay had sought US credit and technical expertise to support their goal of stabilizing the Paraguayan currency.²⁴ The State department had strongly supported the idea from the start because of its fears that the Nazis were cultivating support among the considerable German population in the country, fears that only intensified when reports surfaced in mid-1939 that the Paraguayan government was negotiating a major economic deal with Germany and Bolivia (involving the building of oil refineries in Paraguay). Quickly thereafter, the Export-Import Bank extended credit to the country and a former FRBNY official, Eric Lamb, was found (at the insistence of the Export-Import Bank) to advise the country's Banco de la Republica del Paraguay during the period of the loan.²⁵

Just before his departure in mid-1941, Lamb outlined a plan for a major reform of the Banco, but felt that its staff lacked confidence in their ability to execute it. To address this situation, he suggested that the US support three members of the Banco, including its new manager Harmodio Gonzales, to visit the United States on a training mission, a proposal that was supported by the Banco as well as by the US State Department and the Office of the Coordinator of Inter-American Affairs.²⁶ The 'Paraguayan Bankers Mission' arrived in Washington at the same time as Triffin joined the Board in mid-1942. The Mission initially reported to Harold Glasser of the Treasury, but Triffin quickly

assumed the major role in supervising Gonzales' training. Indeed, Triffin found himself by the fall of 1942 devoting almost all of his time to the study of the Paraguayan situation.²⁷

Because Gonzales' formal education had been in accounting rather than economics, Triffin steered the training away from abstract monetary theory and towards the study of concrete monetary and banking experiences across Latin America as well as those of the agricultural exporting countries of the British Dominions. Triffin's willingness to devote enormous time to this task reflected his view that Lamb's failure to convince the Banco to adopt his reform ideas was 'due in part to the attempt to present Paraguay with a kind of *'fait accompli'* in the form of projects drawn without their cooperation and which remained completely foreign to them'.²⁸ His efforts paid off. By December, Gardner noted that 'the association of the two men has proved to be particularly happy' and that Gonzales had asked Triffin to come to Paraguay to help oversee a major modernization of the monetary and banking situation.²⁹

The Paraguayan mission was approved by the Federal Reserve Board in May 1943 and it represented the first foreign financial advisory mission that the Federal Reserve Board had ever taken the lead in launching. Treasury officials predicted that it would yield few results³⁰, but it turned out to be much more successful than the Cuban mission as well as a second (and last) Treasury-led advisory mission to Honduras in mid-1943 (on which Triffin participated as the Federal Reserve Board representative). The recommendations of the two Treasury-led missions were not adopted for many years in those two countries. By contrast, Triffin's suggestions for monetary and central bank reforms that emerged out of several trips to Paraguay between 1943-5 – often

accompanied by other Federal Reserve Board staff such as David Grove and Bray Hammond - were implemented almost immediately.

Like Cuba and Honduras, Paraguay before the reforms lacked a central bank and had a monetary system dominated by foreign (primarily Argentine) currency. Triffin's advice to the government was similar to that of the Treasury-led missions. Paraguay needed to create a new national currency and government-controlled central bank that could lend to the government and manage the currency in an activist manner to serve domestic goals. External imbalances would be corrected primarily with the help of exchange controls and exchange rate adjustments would also be permitted in exceptional circumstances. But Triffin's reforms went into much more detail than had the Treasury-led missions in outlining the rationale for these reforms as well as the specific mechanisms to operationalise them.

In his recommendations and a series of other publications at this time, Triffin argued forcefully that the interwar experience had clearly demonstrated the need for Latin American countries to move beyond liberal monetary orthodoxy. Kemmerer had established central banks in Latin America that were designed to prioritise the external stability of the currency. In order to maintain international equilibrium, these banks had been encouraged to pursue a passive monetary policy that responded automatically to changes in the balance of payments. In Triffin's view, this 'monetary automatism' was too costly and disruptive to the domestic economy given the vulnerability of Latin American countries to sudden changes in their balance of payments (because of such developments as crop failures, changes in export markets, or volatile capital movements). In the late 1920s, for example, this policy ensured that the inflationary impact of the

enormous capital inflows into Latin American was magnified. Then, between 1929-31, monetary automatism reinforced the severe contractionary effect of the collapse of international lending, commodity prices, and external markets. The result was, in Triffin's words, 'the near collapse of the economic and social structure of these countries'.³¹

What was needed was a new form of monetary management that insulated the national economy from international disruptions and focused on domestic goals, particularly those of promoting national economic development and industrialization. These objectives required not just the use of exchange controls, adjustable exchange rate pegs, and the abolition of the rigid link between the national monetary supply and the country's gold and foreign exchange reserves. They also required the establishment of central banks equipped with strong powers to promote national economic development in an activist manner. Kemmerer had assumed Latin American central banks would influence national monetary supply via open market operations and discount rate changes. But Triffin noted that these tools were ineffective in Latin America because domestic financial markets were underdeveloped and the banking system was dominated by foreign banks that responded primarily to monetary developments in their home country. In this context, central banks needed to be empowered to impose reserve requirements on private banks and control private lending, and perhaps even lend directly to the public. Central bank lending to the public might also be useful, Triffin argued, to promote specific development projects that foreign banks refused to finance. And of course the introduction of a new domestic and activist focus of monetary policy required

the creation of a national currency in countries where foreign currency had previously dominated the monetary supply, such as Paraguay and Cuba.

Although Triffin was very critical of Kemmerer's work, he sought to minimise direct attacks on the famous American money doctor. This was not always easy. His first publication as a Federal Reserve official, completed just a few months after his arrival, was the study of the Colombian monetary experience. Since Colombia had been a country whose central banks had been established in 1923 under Kemmerer's leadership, it was difficult for Triffin to avoid discussing him. But his efforts to be diplomatic in the study were apparently successful. One of Triffin's colleagues reported the reaction to the Colombian study of Woodlief Thomas, the director of the Board's Division of Research and Statistics: He spoke particularly of liking to see how completely the study disposes of Kemmerer without saying anything about him....I think Kemmerer's work is handled in such a way as to give his work a thorough evaluation without giving anyone a chance to be offensive.'³²

Triffin clearly relished the opportunity that the Paraguayan reforms presented to put his theoretical ideas into practice. He went out of his way to trumpet the unorthodox nature of the new monetary and central banking laws, describing them as 'revolutionary' and 'a fundamental departure from the central banking structures previously established in Latin America'.³³ The Federal Reserve Board shared his enthusiasm and the Board approved a large print run of 1000 copies of Triffin's report on the Paraguayan reforms. Woodlief Thomas justified the expense in the following way:

The monetary and banking reform recently carried out in Paraguay as a result of the Board's mission to that country has attracted considerable attention throughout Latin

America. This legislation is in many respects different from the general run of monetary and banking legislation in Latin American and European countries and should be considered as a pathbreaking innovation in this field. The Board itself showed a great interest in this matter and at the time expressed the hope that this new adventure might influence thinking in the field of central banking both at home and abroad.³⁴

Thomas was correct in noting that the Paraguayan reforms had attracted attention across the region. Indeed, they quickly came to be seen as a model for reforms elsewhere and invitations soon streamed into the Federal Reserve Board for Triffin's advisory services. He took up many of the invitations, including those which involved major monetary and central bank reforms in Guatemala (1945-6) and in the Dominican Republic (1945-7). In these latter cases, the local governments specifically requested that Triffin 'do the somewhat the same sort of job for them as he did for Paraguay'.³⁵

The Paraguayan reform also attracted attention outside of Latin America and Federal Reserve advisors soon found themselves overseeing monetary reforms based on the new model in countries such as Ceylon (1950), South Korea (1950), and the Philippines (1949). Triffin himself did not participate in these later missions; he left the Federal Reserve Board in July 1946 to work at the IMF. But his ideas continued to be influential on these and other missions to Latin American countries in the late 1940s and early 1950s. In Korea, for example, US officials noted that their advice was 'adhering rather closely to the so-called Triffin pattern'.³⁶ In the Latin American context, the leadership of the Federal Reserve activities passed to David Grove after Triffin's

departure, and he adhered closely to Triffin's line of thinking until his departure in the early 1950s.³⁷

What explains Triffin's success in Paraguay and his subsequent missions? One of his colleagues, Bray Hammond, suggested that Triffin's language skills and European background played a role in enabling him to work well with Latin American central bank officials:

I have observed that he [Triffin] is singularly well suited for the work, apart from the fluency with which he can talk with these people in their own language. You will remember that many or rather most of these bankers, officials, and business men we meet have been educated in Europe. To find an American representative with the background of European culture which they know and value surprises and delights them. I have noticed time after time how an official's face softens and lights up when he finds himself addressed easily in Spanish and when finds further he can switch to French. In the diplomatic service, this is doubtless an old story; such proficiency is expected there. But the central bankers we are meeting know Americans mostly as engineers and business men very differently educated from themselves. For this reason, the Board is exceptionally fortunate among government agencies other than the State Department in having Mr. Triffin as a representative here.³⁸

But there was more than just Triffin's background that explained his success. Triffin himself pointed to the very high priority he placed on involving Latin American officials in the process of developing the reform proposals. The Treasury-led Cuban and Honduran missions had certainly consulted with the local governments and various local interests, but they had ultimately developed their specific reform proposals on their own

and presented them very publicly as a *fait accompli* to the local governments. This had also been the approach of Kemmerer in the 1920s. Triffin felt strongly that this method was ineffective and should be rejected. As he put it in 1944,

Our experience in Cuba and Honduras led to the definite conclusion that the effectiveness of such missions depends essentially on the setting up of a flexible procedure designed to ensure full participation and responsibility of the Latin American countries themselves in the plans ultimately worked out. According to this concept, Board representatives do not carry ready-made plans and recommendations to the Latin American authorities, but offer their services on a temporary basis to the institutions of the countries involved and then final plans are worked out in the field under the leadership and responsibility of the local monetary authorities. This procedure has shown gratifying results in all cases where it has so far been applied.³⁹

Similarly, after the success of the Guatemalan mission in 1946, Triffin wrote privately to Arthur Schlesinger, who was a writer at *Fortune* magazine at the time:

I would like...to insist very much on one factor the importance of which cannot be exaggerated. Our technical assistance to Latin American countries will be all the more effective and solid, the less flashily and obtrusive it is made. Official American missions with the usual accompaniment of publicity and fanfare usually end in the archives of our own government and of the Latin American governments concerned. They hurt Latin American susceptibilities at the same time. The best procedure seems to me to send technicians on loan to the countries concerned or the institutions related to their work. They can then work more quietly in close contact with local people and develop cooperatively programs far better fitted to the peculiar Latin

American milieu. They can at the same time enlist the full, wholehearted interest of the local people who will pick up the ball and carry it to effective action and the local people will also be given opportunity to comprehend fully the principles on which the recommendations are based and the way in which they can be implemented in practice. To me, this is the basic reason why the recommendations of our central banking missions to Honduras and Cuba have been dormant for many years, while legislation immediately followed technical recommendations in Paraguay and Guatemala.⁴⁰

One consequence of Triffin's inclusive approach was that his recommendations varied from country to country. Kemmerer's advice in the 1920s had been identical from one country to the next. Paul Drake, the foremost historian of the Kemmerer missions, notes that 'hardly a word in his [Kemmerer's] reports varied from Poland to Bolivia. In purely technical terms, he could have delivered most of his laws by mail'.⁴¹ By contrast, Triffin went out of his way to highlight how his advice differed and was tailored specifically to each unique situation. For example, in explaining why his proposals for the Dominican Republic differed from those for Guatemala, he told a Dominican official: 'They are due to the very different circumstances of the two countries. You know that I do not believe that the same legislation can serve as a passkey for every country in Latin America'.⁴²

Triffin went out of his way to consult not just with local officials but also with leading monetary thinkers across Latin America. He was keen to differentiate his willingness to learn from Latin American experience from Kemmerer's approach in the 1920s when, as he put it, 'orthodox, but thoroughly alien, central banking reform

attempted to transplant bodily in La Paz or Quito the monetary and banking mechanisms of older financial centers.’ Triffin insisted that his proposals ‘will no longer be mere copies of foreign legislation. Every effort will be made to adapt them to regional needs and conditions and to profit from the experience accumulated by central banks in the ‘twenties, ‘thirties and early ‘forties.’⁴³ To this end, Triffin devoted considerable time to the study of the experience of Latin American central banks that had experimented with unorthodox policies during the 1930s such as exchange controls, activist monetary policies, and central bank involvement in agricultural and industrial project financing. He quickly gained a detailed understanding of these policy innovations and he was keen to acknowledge their influence on his thinking.

Particularly important and interesting was his willingness to learn from and consult with Raúl Prebisch who was one of the best known central bankers in Latin America at the time. Prebisch had helped establish Argentina’s central bank in 1935 and then had become its first head. A few months after being fired by a new military government in October 1943, Prebisch had delivered a series of high-profile lectures at the Bank of Mexico which only bolstered his stature as one of the most foremost monetary thinkers in Latin America. It was during this Mexican visit that Triffin first met Prebisch.

Prebisch was a strong advocate at this time of state-supported industrialization that might help Latin American countries escaping the declining terms of trade associated with agricultural exports.⁴⁴ In the monetary sphere, he argued in an unpublished 1943 book proposal for an activist monetary policy that was devoted to three main tasks: 1) preventing volatile business cycles that were provoked by the impact of foreign trade and

fluctuating agricultural prices, 2) promoting development and full employment, and 3) fostering rapid economic growth and industrialization. At the core of his Prebisch's monetary thought was a commitment to national policy autonomy: 'To resist subordination of the national economy to foreign movements and contingencies, we must develop inward, strengthen our internal structure, and achieve autonomous functioning of our economy'.⁴⁵ This commitment to policy autonomy echoed that of Keynes. Indeed, Prebisch had developed a strong interest in Keynes' idea in this period and he published the first Spanish language introduction in Latin America to Keynes' *General Theory* in 1947.⁴⁶ But the two men's respective rationales for policy autonomy were somewhat different. Prebisch was in fact quite critical of the fact that Keynes had ignored the distinct circumstances and difficulties facing poorer agricultural exporting countries. In Prebisch's view, 'policy autonomy' was needed in these countries not to protect a kind of Keynesian welfare state but rather to enable state-supported industrialization and economic development to take place without tight external constraints.

After meeting in Mexico, Prebisch and Triffin quickly struck up a close personal friendship characterised by mutual intellectual respect. Triffin frequently cited his debt to Prebisch's 'pioneering work' in his publications.⁴⁷ Indeed, most officials in the Federal Reserve Board held Prebisch in very high regard. Gardner, for example, described him as 'certainly the outstanding figure in central banking in Latin America.'⁴⁸ He also had many supporters at the more conservative FRBNY, with which Prebisch had developed an exchange program for Argentine central bank officials in 1940-41 (and program that also involved Harvard University). Even many New York bankers respected him highly and were 'willing, even eager' to support a proposal from Harvard faculty John Williams

and Alvin Hansen for him to lecture there for 3-6 months in 1945.⁴⁹ Despite some of his unorthodox monetary views, Prebisch was a strong believer in sound money and an opponent of debt defaults, and had been widely seen in his own country as a pro-US policymaker during his tenure at the central bank.

Triffin went further than just drawing on Prebisch's ideas in his own work. He also invited Prebisch to assist him on various Federal Reserve Board financial missions, including the all-important Paraguayan mission. Prebisch spent three months in Paraguay in early 1945 during which he helped draft legislation for the new central bank and reforms of exchange control regulations.⁵⁰ Prebisch was also very supportive of Triffin's final Paraguayan report, and suggested that it heralded the start of a new era in US-Latin American relations:

You have developed monetary principles in your projects which are most suitable to countries like ours. I deliberately include Argentina: if I had to prepare a new project for my country I would adopt a great part of what you have proposed. Paraguay now has an efficient instrument for the stabilization of its economy. If managed with good judgment and prudence, the reform will be the beginning of a new monetary orthodoxy in our countries, under the auspices of the big shots of the Federal Reserve. We shall be freed, my dear friend, of the exorcisms by which foreign advisors would have wished to purify the exchange policy of these countries in not too remote periods.⁵¹

The Federal Reserve Board's archives contain many other examples of Triffin's efforts to consult with and learn from other Latin American policymakers and thinkers. He often discussed the ideas of Hermann Max, a Chilean economist who endorsed

domestically-oriented monetary policy, exchange rate adjustments, and direct lending to the public by central banks. Max had advised Costa Rica (1936), Venezuela (1939) and Nicaragua (1940) on monetary reforms, and Triffin felt his proposals were ‘better adapted to the basic economy and financial characteristics of the countries involved’ than Kemmerer’s initiatives in the 1920s which had been ‘characterized by their extreme conventionality and rigidity’.⁵² He also corresponded frequently with Victor Urquidi, an official at the Bank of Mexico who was emerging as a leader thinker in this area. Typical of Triffin’s humble attitude in his exchanges with Latin American officials was a letter to wrote to Urquidi in early 1945 asking for reactions to his work on Colombia, Paraguay and Costa Rica: ‘You are much more familiar than I am with monetary and banking conditions in Latin American countries and your comments would be of immense value to me in my future work’.⁵³ Triffin also pushed successfully for the Federal Research Board to hire Latin Americans into its Latin American research division, including Prebisch’s Harvard-trained first cousin Julio Gonzales Del Solar.⁵⁴

Further evidence of a new attitude among US financial advisers was the fact that they sought to encourage more intra-Latin American exchanges of financial expertise of the kind that Prebisch had offered to the Paraguayan government. Their rationale was that Latin American policymakers often could learn much more from each other than they could from US officials. This goal was present from the start in the Paraguayan mission when Triffin invited not just Prebisch but also a Bank of Colombia official, Enrique Davila to assist the US mission. Arrangements were then made to send Paraguayan officials on a training mission to Costa Rica to study the administration of that country’s

central bank. Triffin and another Board official, Bray Hammond, summed up the case for these practices well:

It is our feeling that such inter-Latin American training programs in many cases would be much more successful than the practice of sending Latin Americans to the United States, although the two things may be combined. Experience has taught us that a Paraguayan or any other banking employee of a small and primitive country is bewildered and not effectively trained by a sojourn in the United States. It would take a first-rate man, first, to understand the complex monetary and banking organization of the United States and, secondly, to adapt it to the completely different needs of his own country. Bolivia, Paraguay, and most other small countries in many cases would derive much more benefit from missions to more advanced central banks in Latin American than to the Federal Reserve Bank of New York.⁵⁵

Partly for this reason, Triffin and other Federal Reserve Board officials also went out of their way to support a proposal from Urquidí for Mexico to host, for the first time, a 1946 conference of Latin American central banks.⁵⁶ Hammond, for example, hoped the initiative would lessen the financial advisory burden on the US: ‘The United States should not be doing all the work. For many purposes, Mexico, Colombia, Costa Rica, El Salvador, and Uruguay can give better training to their neighbors than we can, their conditions being more nearly alike and the expense being less.’⁵⁷

III.

The Triffin missions, thus, represented a dramatic departure from those of Kemmerer both in content and style. But how do we explain this departure? I argued at the start of the paper that the Triffin missions were part of a broader ‘activist’ Good Neighbor economic policy that had begun in the late 1930s. To explain the rise of the new approach to money doctoring promoted by Triffin, it is useful to recall the factors that accounted for this broader change in US foreign economic policy.

To begin with, the new orientation of Triffin’s missions was clearly part of the broader ideational shift in US foreign economic policy associated with New Deal values. In the Latin American field, these values were associated with skepticism towards the liberal policies associated with the old New York financial elite as well as sympathy for the Latin American underdog and for the efforts of Latin American governments to develop economically through state-led initiatives. Triffin himself clearly saw his initiatives as in the spirit of these ideals of the activist Good Neighbor economic policy.⁵⁸ In true New Deal fashion, he clearly enjoyed challenging the old liberal orthodoxy in international monetary thought. And his sympathies were with those in Latin America who sought to challenge the old oligarchies and promote democratic social, political and economic reform. He was, for example, particularly enthusiastic about his work for newly elected reformist government of Juan José Arévalo in Guatemala in 1945.⁵⁹

More generally, the ideas of Triffin and other Federal Reserve Board officials fit perfectly within what John Ruggie has called the new ‘embedded liberal’ ideological framework that inspired US foreign financial policy during the Bretton Woods

negotiations and after. Ruggie has highlighted how this new social purpose sought to combine the 19th century liberal belief in an open multilateral economic order with a new commitment to the protect government's ability to pursue the more interventionist domestic economic policies that had emerged across the world during the 1930s. In Ruggie's words, 'unlike the liberalism of the gold standard and free trade, its [embedded liberalism's] multilateralism would be predicated upon domestic interventionism.'⁶⁰

Ruggie suggested that embedded liberal ideology first influenced US foreign economic policy during the 1942-44 Anglo-American Bretton Woods negotiations. But its impact in fact came earlier in the Good Neighbor economic policy of the late 1930s and early 1940s towards Latin America. Many U.S. officials in this earlier period were determined to build a new model for multilateral economic cooperation in the Americas – through initiatives such as the IAB - that would be support the new interest across Latin America in state-led economic development programs. Triffin and other Federal Reserve Board officials saw their Latin American work as contributing to this goal.⁶¹

Initially, and as late as mid-1943, Gardner discussed this objective in the context of the possible creation of the IAB.⁶² After this time, he and other Board officials increasingly situated the content of their Latin American work within the context of the embedded liberal framework put forward in the context of the establishment of the Bretton Woods institutions. For example, in explaining how the Guatemalan reforms permitted exchange rate parity adjustments and capital and exchange controls, Triffin highlighted that 'the monetary and exchange control legislation is entirely geared to the Bretton Woods agreement'.⁶³ And more broadly he argued that the Fed's advisory

missions were contributing to the Bretton Woods goal of international monetary stabilization in ways that complemented the Fund's activities:

I view our present work in Latin America as part of a general program of monetary stabilization in that area. It need not be emphasized that the progress of the International Monetary Fund will depend very largely on the development of better monetary and central banking management in each individual country. Failing that, it is to be feared that the resources of the International Fund will be uselessly sacrificed in a never ending process. There is, however, at present a very deep and widespread interest throughout Latin America in improvements in monetary and banking institutions. The Fund constitutes no direct help in this respect, since its operations affect only the level of international reserves of each country. In order to stabilize the internal monetary situation, action on the national scale is required.....Finally, it is painfully obvious that the Fund will be unable to intelligently examine the monetary situation of the Latin American countries and to give them the advice which it will be called upon to offer under various circumstances, if only the information and data presently available in Washington is at their disposal. Our missions to Latin America are progressively developing excellent personal contacts and a broad basis for statistical and economic studies of Latin America.⁶⁴

The significance of embedded liberal thinking within the Federal Reserve Board deserves emphasis because central bankers are generally seen as more conservative thinkers. Scholars who have examined the spread of Keynesian ideas to the US in the late 1930s and 1940s have often identified the Board as one of the key government agencies – along with the Treasury - that was most receptive to the new thinking.⁶⁵ Under Marriner

Eccles' leadership, it had attracted many innovative economists who were keen to challenge liberal orthodoxy. Many of them were linked to Harvard University's economics department which had emerged as the leading centre for Keynesian thinking in US. We have seen how Triffin came from Harvard and both he and Gardner continued to try to recruit other Harvard economists to the Latin American research division.⁶⁶

Intellectual support for Latin American state-led economic development policies was widespread within the Harvard-Treasury-Federal Reserve Board circles. Here, for example, are the comments of Alvin Hansen, the influential Keynesian economist who played an important role the Federal Reserve Board's postwar planning, speaking before the Council of Foreign Relations in 1944:

it is increasingly recognized that the legitimate goals of the undeveloped countries cannot be achieved by reliance on the old ideologies, which had nothing to contribute as a positive solution except the maintenance of a free price and exchange market. If the older ideologies prevail, the backward countries can be expected to continue to remain very largely economic colonies. The primary producing countries need above all: a) diversification of agriculture; b) a moderate degree of industrialization consistent with their resources; c) basic development projects including improved transportation, electric power development, and so forth. These things will not automatically happen under the functioning of a free world market. They require international planning and the continued guidance of international institutional arrangements....The International Monetary Fund ought not to take a doctrinaire view with respect to exchange control....exchange control by countries in

a certain stage in economic development should be regarded as not only legitimate but necessary in order to promote world prosperity and international equilibrium.⁶⁷

Harry Dexter White at the Treasury was also very supportive of Latin American initiatives to break with laissez-faire economics. It is widely known that White had been supportive of activist counter-cyclical policies designed to maintain full employment in industrialised countries as far back as the early 1930s.⁶⁸ But less well known is the fact that he was a strong advocate of industrialization via tariffs in the context of poorer countries. As he wrote to Wallace on Dec.1, 1941, ‘any attempt to expand the industrial element in the economies of the least industrialised countries would be very difficult without the aid of a tariff schedule which would protect such industries during their infancy.’⁶⁹ Similarly, in his April 1942 Fund proposal, he launched a strong attack on free trade policy in the context of poorer countries. Free trade theory, he wrote, assumes that capital is fully utilised, that a diversification of output brings no special gains, and ‘that a country chiefly agricultural in its economy has as many economic, political and social advantages as a country whose economy is chiefly industrial, or as a country which has a balanced economy’. He continued: ‘These assumptions, essential to the belief that “Free Trade” policy is ideal, are not valid. They are unreal and unsound. “Free Trade” policy grossly underestimates the extent to which a country can virtually lift itself by its bootstraps in one generation from a lower to a higher standard of living, from a backward agricultural to an advanced industrial country, provided always it is willing to pay the price.’⁷⁰

Even Harvard economist and Federal Reserve Bank of New York official John Williams shared these sentiments. Williams is often best known as the leading critic of

Keynes and White's Bretton Woods proposals and ally of the conservative New York banking community. But he too rejected conventional liberal economic policies for Latin America. Williams argued that 'younger countries' should be allowed to protect their monetary policy autonomy by varying their currencies' values and even using exchange controls.⁷¹ He also strongly rejected free trade principles in the Latin American context. Gardner described a particularly prominent speech Williams made on the topic in May 1944 before many Latin Americans:

Williams suggested that the theory of free trade as it was historically developed was preeminently a British theory, designed to maintain the status quo – that is, to keep the raw material countries producing raw materials and nothing else. It gave them a colonial status. It militated strongly against change and progress. In order to industrialize, protection was needed against the established enterprises of the big industrial countries. The modern and most comprehensive form of protection was exchange control. And John, although asserting that he was a lifelong internationalist, urged the Latin American countries to consider carefully before they abandoned it. An electric wave of sympathy ran through the room. Delegates turned in their seats and nodded approvingly to one another.⁷²

The distinctive content and style of the Triffin missions was not a product of ideas alone. Their advocates and participants were also clear that the missions served the broader US strategic and economic objectives in the region that had first encouraged the activist Good Neighbor economic policy after the late 1930s. We have already seen how the Paraguayan mission was strongly backed by the State Department on the grounds that it would help counter German influence in the country. The Paraguayan government at

the time was strongly devoted to a nationalist economic program, and Triffin's recommendations fit perfectly with the government's broader economic objectives. In this way, there was a perfect fit between the new embedded liberal ideology and US strategic goals. Accommodating and supporting Paraguayan economic nationalism helped to cultivate a Paraguayan-US political alliance.⁷³

The Federal Reserve officials were very conscious of this link. Gardner had called attention to the strategic role that financial missions to Latin America could play in bolstering US influence in Latin American as far back as mid-1939 and he reiterated it frequently thereafter.⁷⁴ In Paraguay, Triffin also went out of his way to tailor his advice to local nationalist sentiments. For example, he argued the creation of a new national currency would help the country to 'reaffirm its monetary independence and sovereignty' and he pushed for the money to be called the 'guarani' which was a name that 'derives from the racial origins of the Paraguayan nation'.⁷⁵ On his trip in Paraguay with Triffin in the fall of 1943, Hammond also noted the mission was important not just for 'humanitarian' reasons, but also because 'if we are doing a good job in Paraguay, it means that our country's foreign policy is being strengthened'.⁷⁶

If this strategic motivation for embracing the new approach to money doctoring was significant in the initial Paraguayan mission, it soon became less so as the fear of German power in the region diminished by the end of the war. But the fact that the Federal Reserve Board's missions continued, and indeed expanded, after the war's end did not mean that strategic motivations ceased to be important. Federal Reserve officials themselves continued to see their Latin American research and financial advisory missions as a way to increase US influence and prestige in the region. A formal statement

on the rules for FRB's missions abroad in 1945 made this point very clear: 'It should be recognised that foreign missions or assignments are a means of strengthening the influence of the United States abroad (in addition to their role in strengthening the friendly relations of the Federal Reserve System with foreign central banks). They are, therefore, ancillary to the foreign policy of the United States.'⁷⁷ Triffin made the same point in 1945 after his initial successes: 'Although our work is confined to the financial field, it should be pointed out that it will have obvious repercussions of a political and social nature. The Board has acquired a great deal of goodwill and prestige throughout Latin America and it is emphasized everywhere that our work constitutes a most welcome evidence of our general good-neighbor policy.'⁷⁸

It is understandable why the Federal Reserve missions were viewed across Latin America by 1945 as such 'welcome' evidence of the Good Neighbor policy. With the war's end, much of the goodwill that had been cultivated across the region by this policy had begun to evaporate in other areas. Latin American governments suddenly found US financial assistance for development purposes scaled back dramatically as US attention focused on European reconstruction. By the time of the arrival of the Truman administration, many of the key US policymakers associated with the Good Neighbor policy in the State Department (such as Sumner Welles) and Treasury (such as Harry Dexter White and Henry Morgenthau) had either left office or were marginalised. Indeed, many aspects of US-Latin American economic relations came to be directed by a group of officials (including Braden) who highlighted their ideological opposition to 'the virus of economic nationalism' in Latin America and to the earlier Good Neighbor lending policies.⁷⁹

The Federal Reserve missions, thus, marked one of the few ways in which the values of the Good Neighbor policy continued to live on in US foreign economic policy towards Latin America after the war. Their endurance partly reflected the fact that there was no dramatic shakeup in the personnel that backed the policy within the Federal Reserve Board after the war. Even Triffin's departure for the IMF in mid-1946 did not shift the Fed's direction because his successor, David Grove, shared his views so closely. In one important respect, the Board's missions also were compatible with the new more conservative approach to Latin American policy being promoted by the State department and Treasury: they did not require any new extension of US aid or loans to Latin America. Indeed, their advocates had long argued that financial advisory missions provided a more effective means of cultivating Latin American goodwill, and bringing monetary and financial stability to the region, than the large-scale lending program backed by White, Welles and others.⁸⁰ Although the specific content of the Fed advice departed from liberal orthodoxy, the underlying philosophy of addressing Latin American economic problems through domestic reform – rather than international lending - was one that Truman officials could embrace.

Did the Triffin missions find political support, both in the early 1940s and later, because they also served US economic interests? Federal Reserve officials themselves often made the case that their activities benefited the US economically. They argued that their goal of cultivating more industrialised and diversified economies in Latin America would help boost not just political stability and alliances in the region but also new markets for US exporters. Triffin summed up these multiple motivations well in 1946:, 'Whether you look at our objectives as political or economic, the building up of stronger

and more diversified economies is basic in either case. We can have no permanent democracy among starving, diseased and ignorant populations. Neither can we export to them in any quantity. Neither can we get any real strength and help from them in case we need it.’⁸¹

Triffin’s belief that Latin American industrialization would help create a market for US products – especially capital equipment – had in fact been present from the start of his work at the Fed. In one of his first memos in September 1942, he had argued: ‘The industrialization of Latin America should be viewed as a force for making for more, not for less, interchange with the United States. It is well known that the largest currents of trade are those between industrially developed countries.’⁸² Similar arguments were put forward by officials that were supportive of Latin American industrialization in other government agencies at the time such as the Treasury, State Department and Office of the Coordinator of Inter-American Affairs.⁸³ And a number of scholars have highlighted how many US businesses, particularly those in capital-intensive sectors, supported the promotion of import-substitution industrialization in Latin America for this reason.⁸⁴

More generally, Board officials also argued that the missions were in the US economic interest because they promoted monetary and financial stability abroad. In January 1945, David Grove made this case: ‘our work in Latin America must be regarded not as a gift but as a matter of our own self-interest in the monetary and financial stability of these countries.’⁸⁵ This stability would not just benefit US investors, but would also minimise the likelihood of financial instability in the region, instability that could be disruptive to the US economy. As the Federal Reserve Board put in a formal statement in

March 1945, financial advisory missions ‘may reduce the disturbances to our domestic credit situation that originate in foreign economies.’⁸⁶

The case that the new approach to money doctoring served US economic interests was not universally shared. As we saw in the case of the failed Treasury-led Cuban mission, there were some US economic interests who clearly felt initially *threatened* by the new approach to money doctoring. This was particularly true of key members of the US financial community who saw the reforms undermining the existing free and stable US-Cuban exchange rate and challenging their central position in the Cuban financial system (not to mention their deeper ideological aversion to the fact that the reforms would bring the monetary and banking system under greater political control).⁸⁷ The subsequent mission to Paraguay provoked much less controversy in US private banking circles, presumably because there were very few private US economic interests in the country at the time of the reform.

The only concern expressed about the Paraguayan mission within the US came not from the private sector but from the FRBNY. In early 1944, two FRBNY officials, Williams and Knoke, suddenly became interested in the Board’s Paraguayan mission and insisted that they be informed in advance of future Board missions and be allowed take a more prominent role in financial advising. This demand provoked a sharp response from Triffin and Gardner. They noted that the Federal Reserve Board *had* in fact asked the FRBNY whether any of its officials could join them in the Paraguay missions, but had been refused on the grounds that ‘with war manpower shortages, no one would be available for a mission to so small and unimportant a country.’ As Gardner pointed out to Eccles, ‘They failed at that time to appreciate the fact that the Paraguayan job would have

a significance far beyond Paraguay itself.’⁸⁸ Triffin and Gardner highlighted that they both were still quite willing to involve the FRBNY in future advisory work, but *only* if it was clear that the Board had the lead role.

Triffin argued that the Board’s lead was essential for the success of the missions because of the complexities of coordinating mission supervision between more than one agency. Even more important, he argued that the Board ‘at present enjoys an extraordinary degree of confidence’ among Latin American central banks because it was ‘regarded more as a disinterested party’ whereas the FRBNY appeared ‘more closely connected with banking interests’.⁸⁹ Gardner told Eccles even more bluntly that his insistence on Board leadership reflected his desire to ensure that ‘the method we [Triffin and Gardner] have developed for working with the Latin Americans is not going to be blocked.’⁹⁰ Gardner also harbored deeper concerns about the Board’s need to assert its authority vis-à-vis the FRBNY in the international area. As early as 1939, he had expressed his concern to Eccles that FRBNY might get involved in Latin American financial advising and thus challenge the principle that ‘the foreign activities and relations of the FRS are under the supervision and control of the Board of Governors of the FRS.’⁹¹ Similarly, in 1943, he had argued for an expansion of the Board’s Latin American work on the grounds that ‘if the Federal Reserve can play a real role in strengthening Latin American central banks, it will undoubtedly strengthen its own position in international affairs and in this country’.⁹²

Intense discussion of this issue resumed in 1945. In a May meeting between the Board and FRBNY, Eccles highlighted one area of common interest: that the US central bank had to be aggressive in promoting financial missions in order to prevent the

Treasury from asserting its influence in yet one more area of international policy than central banks used to control.⁹³ But he and the other Board members insisted that all of the foreign activities of the Federal Reserve System be unified under the Board's direction. In internal discussions within the Board in February, Board officials had voiced their fear that any alternative outcome would 'bring about a diminution of the Board's influence not only in the foreign field but in the domestic as well. Influence in the one goes with influence in the other'. They had at that time strongly backed an expansion of Triffin's work for the same reason: 'It is only as we develop greater expertise and competence in the field than the New York Bank (and the Treasury) that reality can be given to the Board's leadership. The law alone will not establish that leadership.'⁹⁴

At the May meeting, the FRBNY's president Allan Sproul agreed to coordinate policy but lobbied for this to be 'a coordination of equals'. When reminded of the Board's legal authority, he accepted that coordination would take place under the Board's 'supervision', but insisted on the creation of two informal consultative groups to coordinate foreign activities and policy that would include representatives from the two institutions. This arrangement was approved formally later in the year.⁹⁵ In keeping with the new effort to cooperate, Triffin invited Wallich of the FRBNY to participate on the 1945 missions to Guatemala and the Dominican Republic. Although Wallich did not necessarily share all of Triffin's views, the two men worked well together. In the Dominican case, for example, Triffin noted to another Board member: 'His philosophy is, of course, different from ours, but we came easily to an agreement upon our basic recommendations.'⁹⁶

But Sproul remained suspicious of the Board's intentions to control policy in this field. In November, he objected when Bray Hammond described Triffin as 'supervising' Wallich's work on the Dominican mission, despite the fact that this arrangement had been agreed upon in July and that the Dominican government had specifically requested Triffin's services rather than Wallich's. Describing this as 'a point of honor', Sproul argued: 'I think it would be more in the spirit of our discussions of foreign relations in general, and of these missions in particular, if it were made clear that Mr. Wallich was an associate of Mr. Triffin's.'⁹⁷ Chester Morrill dismissed his complaint: 'it seems likely that you did not have the entire file before you at the time you wrote your letter and I would appreciate it if you would bear it in mind so that the next time you are in Washington I may review it with you'.⁹⁸

In the same month, Sproul also objected strongly to the choice of a new chair of one of the consultative groups on the grounds that the candidate was too close to Eccles.⁹⁹ Eccles responded equally testily:

In fact, it seems to me that this Board can discharge whatever responsibilities it has in the field of foreign affairs without the consultative committee of which you, Matt Szymczak and I are members and without any staff committee at all, if what seem to me needless difficulties and suspicions are going to surround these committees....As I recall it, the staff committee was not set up because the Board felt any particular need for it. I certainly do not like the innuendo that I might try to use this committee for special pleading. When it comes to special pleading, it seems to me that it is an easy charge to bandy about and one I might raise with some justification, I think, in

connection with Bretton Woods and the position which you and John Williams took publicly contrary to that of the Government in power and having responsibility.

He concluded with a postscript: ‘Now that I have gotten this off my chest, I feel somewhat relieved’.¹⁰⁰

The jurisdictional tussle between Sproul and Eccles over Latin American work did not let up in subsequent years. For example, when Treasury Secretary John Snyder invited Sproul to attend an important inter-American conference in Bogota in 1948, Eccles objected that the Federal Reserve Board should be consulted on Sproul’s trip: “It is our feeling that prior consultation with the Board on such matters would be appropriate in view of the functions of this Board, and of the Chairman of the Board, in the international field, and in view of the Board’s responsibilities for supervising the activities of the Federal Reserve Banks, especially in international matters”¹⁰¹ While Snyder agreed to follow this procedure in the future, Sproul responded:

I am not sure whether I agree or disagree with the Board, and to what extent....I have not felt and do not feel that my acceptance of an invitation, for example from the Secretary of the Treasury to accompany him abroad as a personal adviser, is on all fours with the Federal Reserve Bank of New York sending a representative of the bank to a foreign country. As a matter of comity and courtesy I should always expect to advise the Board of such proposed trips, but I do not interpret such advice as either seeking the Board’s approval or courting its disapproval.¹⁰²

These disputes between the Federal Reserve Board and FRBNY were yet another legacy of the New Deal. In one respect, they reflected an ideational struggle between the more conservative FRBNY officials and those at the Board who were more sympathetic

to New Deal values. We have seen both Triffin's and Gardner's observations on this point. It was apparent in other ways too. When offering Wallich's services for the Guatemalan and Dominican missions, Sproul made clear his skepticism about the ambitious nature of the new central bank reforms being promoted by Triffin:

May I add one note of caution about all of these missions. We want to be careful not to repeat, in different form, the mistake of the Kemmerer missions of an earlier day. They tried to impose upon relatively rudimentary economic systems a central bank mechanism fitted to more advanced markets and countries. It may be equally unfortunate, I think, to recommend and devise monetary and banking legislation which, though fitted to a country's economic situation, is beyond the administrative competence and integrity of its people. The "experts" will have to watch out for this and so will we.¹⁰³

The ideational nature of the dispute should not, however, be overstated. As noted above, Triffin found little difficulty reaching agreement with Wallich on key policy issues (Wallich had also backed the earlier Paraguayan reforms), and the FRBNY also fully backed their combined recommendations.¹⁰⁴ I have also shown already how key policymakers in the FRBNY such as John Williams were in fact quite sympathetic to Latin American efforts to move beyond strict liberal policies. The struggle between the two agencies in the Latin American context often seemed to stem less from an ideational disagreement than from a continuation of the intense bureaucratic fights over control of the Federal Reserve System and US monetary policy that had characterised the New Deal during the 1930s. Indeed, as we have seen, much of the impulse for the Federal Reserve

Board to launch and support the Triffin missions reflected its desire to reinforce its influence within the US government vis-à-vis both the FRBNY and the Treasury.

IV.

The Triffin missions represented a remarkable episode in US foreign financial policy. They developed an entirely new approach to international money doctoring that rejected both the content and style of the Kemmerer missions (as well as that of the League of Nations financial missions of the 1920s¹⁰⁵). Not only did US central bank officials reject the classical liberal policies recommended by Kemmerer during the 1920s. They also went out of their way to consult with and learn from their Latin American counterparts as well as tailor and differentiate their advice to specific needs of each country.

Given the significance of the Triffin missions, it is odd that they have been so neglected in existing scholarly literature. This neglect is also unfortunate because an examination of these missions contributes in some important ways to existing scholarship on US foreign financial policy. To begin with, the Triffin missions highlight how varied the content and style of international money doctoring can be. Most studies of US involvement in international money doctoring focus on either the 1920s experience or the more recent IMF missions, especially after the 1970s. This literature usually portrays foreign money doctors in both periods as dispensing orthodox liberal medicine in a top down fashion.¹⁰⁶ But this episode of US financial advising in the 1940s discloses an important *discontinuity* in the practice of international money doctoring in the middle of

the century. In the contemporary era, when disillusionment with the neoliberal ‘Washington consensus’ is growing and many are calling for IMF missions that embrace greater ‘local ownership’ of economic reform programs, the unconventional Triffin missions represent an interesting precedent.

The Triffin missions also contribute to our understanding of the Good Neighbor policy, particularly after the mid-1930s when the idea of an active economic partnership with Latin America was promoted. I have searched the many books on this episode in US foreign economic policy – as well as work on US relations with Third World countries more generally in the early postwar years - for references to Triffin’s work without success. The absence of references is striking given that these financial missions represented one of the most successful initiatives launched under the Good Neighbor policy, at least as measured by the degree to which they found support in Latin America. The missions were welcomed by governments across the region and, as one US official remarked in 1951, ‘no Federal Reserve mission, to the best of my knowledge, has ever been charged with being a “lobby” in any foreign country’¹⁰⁷ The Triffin missions also reveal how some aspects of the Good Neighbor economic policies lasted much longer – well into the late 1940s - than existing scholarship suggests.

We have seen how the missions emerged from the complex combination of strategic, economic and ideational motivations that other scholars have identified as driving the Good Neighbor policy. But the Triffin missions also highlight the significance, for the Good Neighbor economic policy, of the bureaucratic battles within the Federal Reserve System that emerged out of the New Deal experience. In addition, they reinforce the argument made in recent literature about the particular significance of

ideational factors in driving the Good Neighbor policy.¹⁰⁸ To be sure, it is difficult to isolate the relative significance of the roles of ideas versus economic and strategic interests because they were so deeply entangled with each other. But while there is no doubt that missions were seen as serving US economic and strategic objectives, I have argued that their specific content and style owed an enormous amount to the values and ideology that emerged out of the New Deal and embedded liberal thinking.

That finding points to one last contribution of this study to existing scholarship. As noted earlier in the paper, the birth of the influence of embedded liberal ideology in US foreign financial policy has traditionally been associated with the Anglo-American Bretton Woods negotiations of 1942-44. Ruggie and others have argued that this new ‘social purpose’ then formed the normative underpinning of U.S. financial relations with other Western industrialised countries in the postwar years. But this study suggests that the embedded liberal impulse in US foreign financial policy had a wider geographical impact (and also existed in a wider set of government agencies such as the Federal Reserve Board). Embedded liberalism was an ideology that sought to build a liberal multilateral financial and monetary order that was compatible with both the Keynesian welfare state in industrialised countries *and* the kinds of ‘developmentalist’ goals that Prebisch and others put forward in the Latin American context. Indeed, as we have seen, a transnational alliance of U.S. and Latin American economists led by Triffin and Prebisch were working to *implement* the embedded liberal principles even *before* its British-American counterpart led by Keynes and White had put the final ink on the 1944 Bretton Woods Agreements.

¹ For the content and significance of embedded liberalism', see especially John Ruggie, "International Regimes, Transactions and Change" *International Organization* 32 (1982): 379-405.

² See especially Lloyd Gardner, *Economic Aspects of New Deal Diplomacy* (Madison: University of Wisconsin Press, 1964); Irwin Gellman, *Good Neighbor Diplomacy: United States Policies in Latin America 1933-1945* (Baltimore: John Hopkins University Press, 1979); Irwin Gellman, *Secret Affairs: Franklin Roosevelt, Cordell Hull, and Sumner Welles* (Baltimore: John Hopkins University Press, 1995); Mark Gilderhus, *The Second Century: U.S. –Latin American Relations Since 1889* (Wilmington: Scholarly Resources Inc., 2000); David Green, *The Containment of Latin America: A History of the Myths and Realities of the Good Neighbor Policy* (Chicago: Quadrangle Books, 1971); Michael Grow, *The Good Neighbor Policy and Authoritarianism in Paraguay: United States Economic Expansion and Great-Power Rivalry in Latin America During World War II* (Lawrence: The Regents Press of Kansas, 1981); Edward Guerrant, *Roosevelt's Good Neighbor Policy* (Albuquerque: University of New Mexico Press, 1950); Frederick Pike, *FDR's Good Neighbor Policy* (Austin: University of Texas Press, 1995).

³ Green, *Containment*.

⁴ See also David Rock, "War and Postwar Intersections" D.Rock, ed., *Latin America in the 1940s: War and Postwar Transitions* (Berkeley: U of California Press, 1994), 15-40.

⁵ See for example Pike, *FDR*, Gellman, *Good Neighbor*.

⁶ Robert Oliver, *International Economic Co-operation and the World Bank* (London: MacMillan, 1975), 99; Michael Bordo and Anna Schwartz, "From the Exchange

Stabilization Fund to the International Monetary Fund” *NBER Working Paper 100* (Cambridge: National Bureau of Economic Research, 2001); Eric Helleiner, “Reinterpreting Bretton Woods: International Development and the Neglected Origins of Embedded Liberalism” *Development and Change*, 37(5)(2006): 943-67

⁷ See for example Emily Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy 1900-30* (Harvard: Harvard University Press, 1999); Paul Drake, *The Money Doctor in the Andes: The Kemmerer Missions 1923-1933* (Durham: Duke University Press, 1989).

⁸ The Federal Reserve Board was also formally renamed the Board of Governors of the Federal Reserve System, but the phrase ‘Federal Reserve Board’ continued to be used. I use the two terms interchangeably in this paper. For this history, see for example John Woolley, *Monetary Politics: The Federal Reserve and the Politics of Monetary Policy* (Cambridge: Cambridge University Press, 1984).

⁹ M.S.Szymczak to Board, Feb.26, 1945, US National Archives, Records of the Federal Reserve System (RG82), Board of Governors International Subject Files (ISF), Box 230, File: “Foreign Missions, Mimeographed Letters”.

¹⁰ Mr.Taylor to Secretary Morgenthau, Nov.21, 1938, p.2 in US National Archives, Records of the Treasury Department (RG56), 450/81/20/07, Box 28, File: “Latin America Monetary Research Study – 1939”

¹¹ See for example “The following comments are from notes taken at the meeting of the Board on January 16, 1940, on the statements made by Messrs. Goldenweiser and Gardner relating to the Inter-American Bank”, p.9, RG 82, Board of Governors Central Subject Files (CSF), 301.23-9.

¹² Nathaniel Weyl to Gardner, June 30, 1941, in RG82, ISF, Box 157, File: “Latin America General (1930-1942”.

¹³ Gardner to Goldenweiser, Sept. 12, 1941 in RG82 CSF, 501.2-15 Box 2270, p.1

¹⁴ *Ibid*

¹⁵ Carpenter to Goldenwieser, Sept. 17, 1941 RG82 CSF, 501.2-15 Box 2270

¹⁶ Gardner and Vest to Board of Governors, Oct.16, 1941, RG82 CSF, 501.2-15; Gardner to Goldenweiser, Nov.2, 1941, RG82 CSF, 501.2-15 Box 2271.

¹⁷ Gardner to Goldenweiser, Nov.2, 1941, p.3.

¹⁸ American Technical Mission to Cuba, “Report to the Cuban Government of the American Technical Mission to Cuba,” *Federal Reserve Bulletin* (August 1942): 774-801

¹⁹ US Government, *Foreign Relations of the United States, 1942: Diplomatic Papers: Volume 6 – The American Republics* (Washington: Government Printing Office, 1963), 303; see also pp.296-315; US Government, *Foreign Relations of the United States 1941: Diplomatic Papers: Volume 7 – The American Republics* (Washington: US Government Printing Office, 1962), 128-33, 191-5; 302-11; Spruille Braden, *Diplomats and Demagogues* (New Rochelle, New York: Arlington House, 1971), 305-6. In the end, domestic opposition from the banking community within Cuba prevented the recommendations from being implemented until 1948.

²⁰ For example “Excerpt from the Minutes of the Meeting of the Board held on Feb.6, 1942”, RG82 CSF, 501.2-15 Box 2271; John Morton Blum, *The Morgenthau Diaries: Years of War 1941-1945* (Boston: Houghton Mifflin Company, 1967), 232; “Comments by American Technical Mission to Cuba on Memorandum Submitted by

Mr.W.R.Burgess of the National City Bank of New York”, RG82, CFS, 501.2-15 Box 2272.

²¹ Treasury (and the State Department) continued to be actively consulted on all of the subsequent missions led by the Federal Reserve Board, e.g. Hammond to Matt Szymczak, July 24, 1945, RG82, ISF, Box 221, File: “Foreign Missions, Dominican Republic (1945)”.

²² Triffin to Félix Gordón Ordás (Revista de Economía Continental, Mexico), p.1, May 8, 1946, RG82, ISF, Box 156, File: “Latin America, General (1943-May 1946)”. His Ph.D. thesis was published as *Monopolistic Competition and General Equilibrium Theory* (Cambridge: Harvard University Press, 1940).

²³ Gardner to Goldenweiser, July 24, 1943, RG82, ISF, Box 148, File: “Latin America 1923-1954, Banking, General”.

²⁴ Grow, *Good Neighbor*, 53

²⁵ US Government, *Foreign Relations of the United States: Diplomatic Papers 1939: Volume 5 – The American Republics* (Washington: US Government Printing Office, 1957), 764.

²⁶ Eric Lamb, “Memorandum for Mr.Duggan”, Sept . 9, 1941, US National Archives, Records of the Department of State (RG59), 834.516/104; Laurence Duggan to Mr.Compton, Sept 12, 1941, RG59 834.516/104.

²⁷ Eliot Hansen to James Drum, Sept. 23, 1942, US National Archives, Records of the Dept of Economic Development, Office of Inter-American Affairs (RG229), Box 589, “Paraguayan Bankers Study Mission”; Gardner to Goldenweiser, Dec.19, 1942, RG82 ISF, Box 231, File: “Foreign Missions, Paraguay (1942-Oct.1943)”.

²⁸ Triffin “Suggested Outline of Study for Dr. Gonzales” Dec 12, 1942, RG82, ISF, Box 259, File: “International Training Program, Paraguay (1942-44)”, p.2. See also Triffin to Gardner, Dec 3, 1942, RG82, ISF, Box 259, File: “International Training Program, Paraguay (1942-44)”

²⁹ Gardner to Goldenweiser, Dec.19, 1942, RG82, ISF, Box 231, File: “Foreign Missions, Paraguay (1942-Oct.1943)”, p.1

³⁰ deBeers to Harry Dexter White, “United States Economic Advice to Latin America” Jan.22, 1943, RG56, 450/81/20/07, Box 28, File: “General Vol.1”

³¹ Robert Triffin, “Address to the Pan American Society on Recent Monetary and Exchange Developments in Latin America” April 11, 1945, pp.2-3, RG82, ISF, Box 156, File: “Latin America, General (1943-May 1946)”.

³² Hammond to Triffin, July 4, 1944, p.2, RG82, ISF, Box 231, File: “Foreign Missions, Paraguay (June-July 1944)”.

³³ Robert Triffin, *Monetary and Banking Reform in Paraguay* (Washington: Board of Governors of the Federal Reserve System, 1946), 25; U.S. Federal Reserve, “Monetary Developments in Latin America.” *Federal Reserve Bulletin* 31(6)(June 1945), 528

³⁴ Woodlief Thomas to Board of Governors, Jan 16, 1946, p.1, RG82, ISF, Box 162, File: “Paraguay, Monetary and Banking reform”.

³⁵ These are Gardner’s words describing the views of a Dominican government representative in: Gardner to Governor Szymczak, May 12, 1945, p.1, RG82, ISF, Box 221, File: “Foreign Missions, Dominican Republic (1945)”.

³⁶ “Meeting of Staff Group on Foreign Interests” May 1, 1950, p.11, RG82, ISF, Box 215, File: “Foreign and International Problems, Minutes and Agenda, March-June 1950”.

³⁷ See for example David Grove “The Potentialities of Monetary Policy in the Economic Development of Latin America”, June 18, 1951, RG82, ISF, Box 156, File: “Latin America, General (June 1946-1954)”; and David Grove, “Objectives and Potentialities of Monetary Policy in Underdeveloped Countries” Feb 18, 1952, RG82 ISF, Box 20 “File: Banking Central Bank Conference, Havana, Cuba – 1952”

³⁸ Hammond to Governor Szymczak, Sept. 9, 1943, p.7, RG82, ISF, Box 231, File: “Foreign Missions, Paraguay (1942-Oct.1943)”.

³⁹ Triffin, “The New York Federal Reserve Bank and the Latin America Work” no date [but January 1944], p.1-2, RG82, ISF, Box 229, File: “Foreign Missions, Latin Missions (1934-1954)”

⁴⁰ Triffin to Arthur Schlesinger, May 13, 1946, p.6, RG82, ISF, Box 156, File: “Latin America, General (1943-May 1946)”.

⁴¹ Drake, *Money Doctor*, 25.

⁴² Triffin to Alfonso Rochac, Jan. 7, 1946, p.1, RG82, ISF, Box 221, File: “Foreign Missions, Dominican Republic (1946-1954)”.

⁴³ Robert Triffin, “Address to the Pan American Society on Recent Monetary and Exchange Developments in Latin America” April 11, 1945, p.2, 14, RG82, ISF, Box 156, File: “Latin America, General (1943-May 1946)”.

⁴⁴ Edgar Dosman, “Markets and the State in the Evolution of the ‘Prebisch Manifesto’” *CEPAL Review* 75(2001): 87-102.

⁴⁵ Prebisch quoted in Dosman, ‘Markets and the State’, 90.

⁴⁶ E.V.K.FitzGerald, “ECLA and the Formation of Latin American Economic Doctrine” in D.Rock, ed., *Latin America in the 1940s: War and Postwar Transitions*. Berkeley: U. of California Press, 1994), 96.

⁴⁷ For example Robert Triffin, “National Central Banking and the International Economy” in his *The World Money Maze* (New Haven: Yale University Press, [1947]1966), 141 fn2.

⁴⁸ Gardner to Federal Reserve Board, Aug 17, 1944, p.1, RG82 ISF, Box 230, File: “Foreign Missions, Paraguay (Aug-Dec 1944)”. See also Goldenweiser to Roger Evans, Feb 23, 1945, RG82, ISF, Box 156, File: “Latin America, General (1943-May 1946)”

⁴⁹ Szymczak to Nelson Rockefeller, Feb. 5, 1945, RG82, ISF, Box 156, File: “Latin America, General (1943-May 1946)”.

⁵⁰ I am grateful for Ed Dosman’s insights on this point. For the influence of Prebisch’s idea on the Paraguayan exchange control proposals, see also Triffin’s comment: “Prebisch’s ideas are extremely novel and interesting and would be of great value to us.” Gardner to Federal Reserve Board, Aug 17, 1944, p.4.

⁵¹ Prebisch to Triffin, June 17, 1945, p.2, RG82, ISF, Box 162, File: “Paraguay, Monetary and Banking Reform”.

⁵² Triffin to Gardner, April 9, 1943, p.1, RG82 ISF, Box 162, File: “Paraguay, Monetary and Banking Reform”.

⁵³ Triffin to Urquidi, Jan.26, 1945, p.2, RG82, ISF, Box 22, File: “Banking Central Bank Conference Mexico City 1946 (1944 – April 1946)”

⁵⁴ Triffin to Manuel Noriega Morales, Jan 29, 1946, RG82, ISF, Box 138, File: “Guatemala, Monetary and Banking Reform (1945 – June 15, 1946)”; Triffin to

Szymczak, “Work of the Latin American Group and Personnel Needs”, Feb 6, 1945, RG82 ISF, Box 264, File: “International Training Program General 1938-Aug 1945”.

⁵⁵ Triffin and Hammond to Board of Governors, Jan.11, 1945, p.3, RG82 ISF, Box 22, File: “Banking Central Bank Conference Mexico City 1946 (1944 – April 1946)”. See also Hammond, “Exchange of Personnel for Foreign Study” Aug 7, 1946, RG82, BoG CSF 001.411.

⁵⁶ For Triffin’s support, see Triffin to Urquidi, Jan.26, 1945, RG82 ISF, Box 22, File: “Banking Central Bank Conference Mexico City 1946 (1944 – April 1946)”.

⁵⁷ Hammond to Morrill, Oct.9, 1944, p.4, RG82 ISF, Box 22, File: “Banking Central Bank Conference Mexico City 1946 (1944 – April 1946)”. See also Szymczak to Board, Feb.26, 1945, RG82 ISF, Box 230, File: “Foreign Missions, Mimeographed Letters”; and David Grove to Board of Governors, Jan.11, 1945, RG82 ISF, Box 230, File: “Foreign Missions, Paraguay (1945-1954)”.

⁵⁸ See especially Triffin to Arthur Schlesinger, May 13, 1946.

⁵⁹ Triffin to Board of Governors, Oct.2, 1945, RG82, ISF, Box 221, File: “Foreign Missions, Dominican Republic (1945)”.

⁶⁰ Ruggie, “International Regimes”, 393.

⁶¹ Helleiner, “Reinterpreting Bretton Woods”.

⁶² Gardner to Goldenweiser, July 24, 1943, p.3, RG82, ISF, Box 148, File: “Latin America 1923-1954, Banking, General”.

⁶³ Triffin to Board of Governors, Oct.2, 1945, p.6. See also Triffin to Board of Governors, Jan.11, 1945, RG82 ISF, Box 230, File: “Foreign Missions, Paraguay (1945-54)”. For an early statement of this link between Latin American work and the Bretton

Woods institutions, see Gardner to Szymczsk, “Tentative program of the Latin American group for the year 1944” Dec.1, 1943, p.2, RG82, ISF, Box 148, File: “Latin America 1923-1954, Banking, General”.

⁶⁴ Triffin to Board, “Questions on which Board decisions or guidance are needed”, Jan 11, 1945, RG82, ISF, Box 230, File: “Foreign Missions, Paraguay (1945-1954)”. See also Triffin to Hammond, July 21, 1944, RG82, ISF, Box 109, “Colombia Money and Banking Study”; and Hammond to Governor, Oct.18, 1943, RG82, ISF, Box 231, File: “Foreign Missions, Paraguay (1942-Oct.1943)”. See also Triffin’s argument in 1945 cited in footnote 58.

⁶⁵ Albert Hirschman, “How the Keynesian Revolution was Exported from the United States” in his *A Propensity to Self-Subversion* (Cambridge: Harvard University Press, 1995); Walter Salant, “The Spread of Keynesian Doctrines and Practices in the United States”, in P.Hall ed., *The Political Power of Economic Ideas: Keynesianism Across Nations* (Princeton: Princeton University Press, 1989).

⁶⁶ Gardner to Szymczsk “Tentative Program”.

⁶⁷ Alvin Hansen, “Latin America and Exchange Control”, p.1 for The Economic and Financial Group, Council on Foreign Relations, May 27, 1944, RG82, ISF, Box 156, File: “Latin America, General (1943-May 1946)”.

⁶⁸ See especially James Boughton, “Why White, Not Keynes? Inventing the Postwar International Monetary System” *IMF Working Paper 52* (Washington: International Monetary Fund, 2002).

⁶⁹ Quoted in Green, *Containment*, 125.

⁷⁰ Harry Dexter White, “Preliminary Draft Proposal for a United Nations Stabilization Fund and a Bank for Reconstruction and Development of the United and Associated Nations, April 1942” in J.K.Horsefield, *International Monetary Fund 1945-65:v.3 Documents* (IMF: Washington, 1969), 70.

⁷¹ John Williams, “Postwar Monetary Plans [1944]” in his *Postwar Monetary Plans and Other Essays, 3rd Edition*. Ed. John Williams. New York: Alfred Knopf, 1947), xlvii. See also John Williams, “Currency Stabilization: The Keynes and White Plans [1943]” in his *Postwar Monetary*, 18.

⁷² Gardner to Goldenweiser, May 15, 1944, p.1, RG82 ISF, Box 247, File: “Inter-American Relations, General (1939-1954)”.

⁷³ For the State department’s recognition of the importance of Triffin’s work, see also Hammond to Triffin, June 20, 1944, RG82, ISF, Box 231, File: “Foreign Missions, Paraguay (June-July 1944)”.

⁷⁴ Gardner to Eccles, May 29, 1939, RG82, ISF, Box 236, File: “Foreign Missions, General (1922-Feb 1945)”. See also Gardner, “Latin American Field”, May 25, 1943, RG82, ISF, Box 231, File: “Foreign Missions, Paraguay (1942-Oct.1943)”; Gardner to Goldenweiser, July 24, 1943, p.3, RG82, ISF, Box 148, File: “Latin America 1923-1954, Banking, General”.

⁷⁵ Federal Reserve, “New Monetary and Banking Measures in Paraguay,” *Federal Reserve Bulletin* 30(1)(1944), 46, 47.

⁷⁶ Hammond to Governor, Oct.18, 1943, p.3.

⁷⁷ Federal Reserve Board, “Statement of Procedure and Criteria to Guide the Board’s Staff in Reviewing, and Making Recommendations with respect to, Requests for

Technical Assistance in Foreign Areas”, p.1 undated, but approved by Federal Reserve Board and then sent to Federal Reserve Bank Presidents on Aug.2, 1950, RG82, ISF, Box 230, File: “Foreign Missions, Mimeographed Letters”. As noted earlier, the State Department was actively consulted on all Federal Reserve Board missions.

⁷⁸ Triffin to Board, “Questions on which Board”.

⁷⁹ Braden quoted in Grow, *Good Neighbor*, 91. See also Green, *Containment*, 262, ch.7; Gellman, *Good Neighbor*, 207-11; Pike, *FDR*, 297.

⁸⁰ See for example Gardner to Eccles, May 29, 1939, RG82 ISF, Box 236, File: “Foreign Missions, General (1922-Feb 1945)”.

⁸¹ Triffin to Arthur Schlesinger, May 13, 1946, p.2.

⁸² Triffin, “Notes on an Investment Program for Latin America” Sept. 25, 1942, RG82, ISF, Box 152, File: “Latin America, Finance (1936-1954)”.

⁸³ See for example Coordinator of Inter-American Affairs, “Industrial and Other Economic Development in the Western Hemisphere” May 1943, RG56 450/80/30/03, Box 27 File:” Subcommittee #3 of Subcommittee on Inter-American Economic Development”; Laurence Duggan, *The Political and Economic Solidarity of the Americas, Address before Foreign Policy Association, New York, NY, Nov.2, 1940* (US Government Printing Office, Washington, 1941); Hanson to White, “The Good-Neighbor Policy. Need of Constructive Action to Make it Effective” July 27, 1939, RG56, 450/81/20/07, Box 28, File: “Latin America Monetary Research Study – 1939”.

⁸⁴ See especially Sylvia Maxfield and James Nolt, “Protectionism and the Internationalization of Capital: U.S. Sponsorship of Import Substitution Industrialization

in the Philippines, Turkey, and Argentina” *International Studies Quarterly* 34 (1990): 49-81.

⁸⁵ David Grove to Board of Governors, Jan.11, 1945, p.4, RG82 ISF, Box 230, File: “Foreign Missions, Paraguay (1945-1954)”.

⁸⁶ No author, “Foreign Missions of the Federal Reserve System” March 29, 1945, p.2, RG82, ISF, Box 218, File: “Foreign and International Problems General (1945-Feb 1946)”.

⁸⁷ For example “Interview Havana August 27, 1942” with Findlay, Burns, and Lopez, RG82, CSF, 501.2-15 Box 2272.

⁸⁸ Gardner to Eccles, “Relations with FRBNY”, Jan 23, 1944, pp.1-2, RG82 ISF, Box 148 File: “Latin America 1923-54, Banking, General”. See also Triffin, “The New York Federal Reserve Bank and the Latin America Work” no date [but Jan. 1944] RG82, ISF, Box 229, File: “Foreign Missions, Latin Missions (1934-1954)”.

⁸⁹ Triffin, “The New York Federal Reserve Bank”, 2.

⁹⁰ Gardner to Eccles, “Relations with FRBNY”, Jan 23, 1944, RG82 ISF, Box 148 File: “Latin Am 1923-54, Banking, General”.

⁹¹ Gardner to Eccles, May 29, 1939, pp.3-4, RG82 ISF, Box 236, File: “Foreign Missions, General (1922-Feb 1945)”.

⁹² Gardner to Szymcak, Nov.11, 1943, p.2, RG82, ISF, Box 231, File: “Foreign Missions, Paraguay (Nov1943-Feb1944)”.

⁹³ “Memorandum of Conference on Foreign Missions, May 4, 1945” RG82 ISF, Box 230, File: “Foreign Missions, Mimeographed Letters”.

⁹⁴ Szymczak to Board, Feb.26, 1945, p.1,2, RG82 ISF, Box 230, File: “Foreign Missions, Mimeographed Letters”. See also No author, “Foreign Missions of the Federal Reserve System” March 29, 1945, RG82, ISF, Box 218, File: “Foreign and International Problems General (1945-Feb 1946)”.

⁹⁵ “Memorandum of Conference on Foreign Missions, May 4, 1945” , RG82 ISF, Box 230, File: “Foreign Missions, Mimeographed Letters”; Federal Reserve Board, “Statement of Procedure and Criteria to Guide the Board’s Staff in Reviewing, and Making Recommendations with respect to, requests for technical assistance in foreign areas” undated, RG82 ISF, Box 230, File: “Foreign Missions, Mimeographed Letters”.

⁹⁶ Triffin to Szymczak, Aug 21, 1945, RG82, ISF, Box 221, File: “Foreign Missions, Dominican Republic (1945)”.

⁹⁷ Sproul to Hammond, Nov 26, 1945, p.1-2, RG82, ISF, Box218, File: “Foreign and International Problems General (1945-Feb 1946).”

⁹⁸ Morrill to Sproul, Jan 4, 1946, RG82, ISF, Box218, File: “Foreign and International Problems General (1945-Feb 1946)”.

⁹⁹ Sproul to Eccles, Nov. 16, 1945, RG82, ISF, Box 218, File: “Foreign and International Problems General (1945-Feb 1946)”.

¹⁰⁰ Eccles to Sproul, Nov.25, 1945, p.2, RG82, ISF, Box218, File: “Foreign and International Problems General (1945-Feb 1946).”

¹⁰¹ Eccles to Secretary Snyder, April 9, 1948, p.1, RG82 ISF, Box 273, File: “Meetings and Conferences General (1944-June 1951)”.

¹⁰² Sproul to Eccles, April 15, 1948, p.1, RG82 ISF, Box 273, File: “Meetings and Conferences General (1944-June 1951).”

¹⁰³ Sproule to Szymczak, July 13, 1945, RG82, ISF, Box 221, File: “Foreign Missions, Dominican Republic (1945)”. See also O.E.Moore to .Sproul, “Dr.Herman Max”, Oct. 29, 1940, RG82 ISF, Box 180, File: “Venezuela General (1923-54)”.

¹⁰⁴ For the Guatemalan case, see for example Triffin to Szymczak, Morrill, Carpenter, Hammond, Thomas, Gardner, Oct. 29,1945, RG82, ISF, Box 221, File: “Foreign Missions, Dominican Republic (1945)”.

¹⁰⁵ For the League’s missions, see Louis Pauly, *Who Elected the Bankers?* (Ithaca: Cornell University Press, 1997).

¹⁰⁶ For example Rosenberg, *Financial Missionaries*; Drake, *Money Doctor*; Paul Drake, *Money Doctors, Foreign Debts and Economic Reforms in Latin America from the 1890s to the Present* (Wilmington: Scholarly Resources, 1994); Marc Flandreau, ed., *Money Doctors: The Experience of International Financial Advising, 1850-2000* (London: Routledge, 2003).

¹⁰⁷ Arthus Marget to Szymczak, March 16, 1951, p.2, USNA RG82 ISF, Box 230, File: “Foreign Missions, Paraguay (1945-1954)”.

¹⁰⁸ See especially Pike, *FDR*; Steven Schwartzberg, *Democracy and U.S.Policy in Latin America During the Truman Years* (Gainesville: University Press of Florida, 2003).