Reinterpreting Bretton Woods: International Development and the Neglected Origins of Embedded Liberalism

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ABSTRACT

This article offers a reinterpretation of the origins of the 1944 Bretton Woods Agreements, one that is of particular significance to scholars of international development. Conventional wisdom holds that the Agreements were primarily a product of US–British negotiations between 1942 and 1944, in which little attention was paid to international development issues and the concerns of poorer countries. This article demonstrates that the innovative 'embedded liberal' vision of Bretton Woods was in fact first put forward in the context of US–Latin American financial relations in the 1938–42 period, and that this experience influenced the subsequent Bretton Woods negotiations. The analysis highlights that the architects of Bretton Woods did *not* ignore development issues but rather attempted to pioneer a new model for both North–North *and* North–South economic relations. If this has been subsequently overlooked by historians, it may be because this latter feature of Bretton Woods was quickly buried by US policy makers in the immediate post-war years. This historical reinterpretation helps both to explain some important puzzles about the origins of the Bretton Woods Agreements and to shed new light on the place of international development issues in the evolution of the post-war international economic order.

INTRODUCTION

What were the origins of the 1944 Bretton Woods Agreements? This question has fascinated many scholars because of the influence these Agreements subsequently had, and continue to have, on the evolution of the post-war international economic system. The Agreements were particularly significant in

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outlining a new 'embedded liberal' vision that sought a middle way between classical international liberalism and the new more interventionist economic ideas that had become influential across the world during the 1930s. While embracing a multilateral financial order of stable currencies and current account convertibility, the Bretton Woods architects supplemented market mechanisms by establishing publicly-controlled international financial institutions to offer short-term balance of payments support and long-term investment capital. Their endorsement of capital controls and exchange rate adjustments also provided greater policy autonomy for governments to pursue more interventionist domestic policies. As John Ruggie (1982: 393) famously put it, 'unlike the liberalism of the gold standard and free trade, its [embedded liberalism's] multilateralism would be predicated upon domestic interventionism'.

Conventional wisdom holds that this new embedded liberal order was largely a product of US–British negotiations between 1942 and 1944, and that little attention was paid to the concerns of developing countries. Led by Harry Dexter White and John Maynard Keynes, the officials involved are said to have focused primarily on the issue of reconciling liberal multilateralism with the new imperatives of the new Keynesian welfare state in advanced industrialized countries. The distinctive forms of interventionism that poorer country governments might desire in order to promote development are not seen to have been a priority for the Bretton Woods negotiators, because delegates from these regions had so little influence on the negotiations. Embedded liberalism, in other words, is portrayed as a rich country ideology focused on rich country problems.

This article suggests an alternative view of the origins and significance of the Bretton Woods Agreements. The first section demonstrates that the embedded liberal vision of Bretton Woods was in fact first proposed and implemented in the context of US–Latin American financial relations in the 1938–42 period, rather than during the better known 'sterling–dollar' diplomacy of 1942–44. In this earlier context, I show how US policy makers sought to build a multilateral economic order which could accommodate the 'developmentalist' goals of Latin American governments. The second section of the article then shows how this experience influenced the content of the US government's 1942 initial Bretton Woods proposals and the subsequent Bretton Woods negotiations. The Bretton Woods vision, in other words, did *not* ignore development issues, but rather attempted to pioneer a new model for both North–North *and* North–South economic relations. If this has been overlooked by historians, it may be because this latter feature of Bretton Woods was quickly buried by US policy makers in the immediate post-war years. The final section of the article highlights how this historical reinterpretation helps both to explain some important puzzles about the origins of the Bretton Woods Agreements and to challenge some interpretations of the evolution of the post-war international economic governance.

THE 'GOOD NEIGHBOR' POLICY OF THE LATE 1930s AND EARLY 1940s

Although most writing on the origins of Bretton Woods focuses primarily on the US–British negotiations of 1942–44, there are hints of the thesis put forward in this article within some existing analyses. A number of scholars have noted briefly that a kind of 'first draft' (Oliver, 1975: 99) of the US Bretton Woods proposals was developed in 1940–41 in the form of a US–Latin American initiative to create an Inter-American Bank. There has also been a suggestion that White's views may have been influenced by his involvement with US lending programmes to Latin America in the late 1930s and early 1940s, through the country's Export–Import Bank and Exchange Stabilization Fund (Bordo and Schwartz, 2001; Boughton, forthcoming; van Dormael, 1977: 42; Gardner, 1980: 73; Gold, 1988: 1127; Horsefield, 1969a: 11). None of this scholarship, however, attempts to provide a detailed analysis of the link between US–Latin American financial relations in this period and the Bretton Woods negotiations. To the extent that this link is drawn, it is simply inferred through an analysis of some affinities between the design of the Bretton Woods Agreements and these earlier US activities *vis-à-vis* Latin America.

A more detailed political analysis of this issue must begin by looking at the sources of the change in US financial policy towards Latin America in the late 1930s and early 1940s. US policy towards Latin America during this period was characterized by what US officials at the time called the 'Good Neighbor policy'. Initially, this phrase meant simply that the United States would refrain from intervening politically and militarily in Latin America. By the late 1930s and early 1940s, however, the Good Neighbor policy came to be associated with a more active idea of a close economic partnership with Latin America designed to promote economic development in the region.

This idea emerged partly in the context of US fears about the growing Nazi economic and military influence in the region. During this period, German officials made extensive efforts to cultivate closer trade and financial ties with Latin American countries, and there was evidence of growing support in those countries for the Nazis and their ideology. These trends worried American officials and business leaders for both security and economic reasons. In the security realm, American policy makers recognized 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. In an economic sense, the region was an important source of commodities and a profitable investment location for American businesses. Moreover, throughout the 1930s, New Deal officials had seen American exports to Latin America as an important component of their efforts to promote a domestic economic recovery in the US.

US policy makers were also driven by a fear of what Green (1971) has termed Latin American 'revolutionary nationalism'. 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 favour of more statist economic policies that would promote industrialization, the growth of an internal market, national ownership, and better social conditions. The trend of Latin American economic policy clearly threatened some US economic interests in the region, as highlighted by dramatic developments such as Bolivian and Mexican confiscation of US oil property in 1937 and 1938.

From the perspective of US government and business elites, it became increasingly imperative for the US government to endorse a new model of economic co-operation with Latin America to try to offset both the Nazi influence and the appeal of radical economic ideologies (Gardner, 1964; Gellman, 1979; Green, 1971; Grow, 1981; Pike, 1995). This would include a new programme of financial and technical assistance to Latin American governments to help secure alliances and investments, cultivate markets, promote political and economic stability, and support many of the new developmentalist goals of Latin American governments. While rejecting radical statist economic policies, it was argued that the US should take a more positive role in backing moderate economic nationalist objectives of import-substitution industrialization and targeted state intervention in the domestic economy. Many US policy makers also endorsed the creation of a more integrated economic bloc within the region which could help exclude Germany, serve US economic interests, and assist Latin American economies to adjust to the loss of European export markets once the war began.

Ideas and the Good Neighbor Economic Policy

Support for this new model of economic co-operation derived not just from these strategic and economic motivations. A number of historians have also highlighted that it had its roots in certain ideas (Gellman, 1979; Pike, 1995; Wood, 1961). Many of the US policy makers involved in US–Latin American economic relations in this period were inspired by the values of the New Deal: they saw Latin American experiments in state-regulated capitalism as echoing their own initiatives within the US, and thus deserving of support. Some also saw the project of extending economic assistance to Latin America as an opportunity to translate their concern for social justice onto the international stage. As Roosevelt famously noted in early 1940, the new approach to US–Latin American relations was designed to 'give them [Latin America] a share' (quoted in Gardner, 1964: 109).

The sense of solidarity with this particular region had been reinforced by the New Dealers' sentiment that Latin America had often been the victim of the same US financial elite that they blamed for American economic problems. Before the 1930s, US policy makers 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. During the mid-1930s, for example, US public hearings into the nefarious lending practices of New York financiers *vis-à-vis* Latin America during the 1920s attracted widespread and sympathetic attention across the country. Pike (1995: 33) sums up the significance of this change: 'the Depression produced a virtual revolution in American attitudes [towards Latin America], and that out of this revolution issued the public attitudes that enabled FDR to forge a Good Neighbor policy'.

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. 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), Adolfe Berle (a member of Roosevelt's brain trust, and Assistant Secretary of State after 1938), and Emilio Collado. Roosevelt's vice-president after 1940, Henry Wallace, was also clearly in this camp, as were some economists working in the US Federal Reserve such as Robert Triffin.

These were the individuals who first introduced and implemented 'embedded liberal' principles into US foreign economic policy, albeit within the more limited inter-American context. In this region, they set out to build a pattern of economic co-operation that would combine multilateral open trade with a degree of economic interventionism. As Berle put it in mid-1941, the new US policy was based on a belief that the region required 'a higher degree of economic planning and, at the same time, a higher degree of open trade between the American nations'. Open trade was needed, he continued, because 'we can no longer look at a hemisphere chopped up into economic segments, each of which endeavors to manipulate its interests against the others'. But support for economic planning was equally important because of the fact that economic management had become 'the chief concern of every state in the world'. At the international level, it was also particularly important for the public sector to direct cross-border flows of capital to support Latin American development. Arguing that imperialism was 'dead as the brontosaur', he suggested that US officials involved in public lending to Latin America were now 'vividly interested in whether the development is a good thing in itself'. He continued: 'In other words we have shifted our entire point of view. Instead of being anxious to find a place where a group of people who have privately saved money can secure a private stream of profits, we are anxious rather to find opportunities for sound development which may add to the general safety, security, and well-being of the Western Hemisphere'. Summing up, Berle left no doubt that he saw US–Latin American economic relations in the late 1930s and early 1940s as pioneering a new model for international economic co-operation: 'In the combination of the new conceptions with the new mechanisms we have already gone a long way towards establishing the foundation of what will be the cooperative international economics of the future' (quoted in Green, 1971: 81–3).

Harry Dexter White's views are also worth highlighting because of his central role in the subsequent Bretton Woods negotiations. As Boughton (2002, forthcoming) has recently noted, historians of Bretton Woods have often overlooked the fact that White's key ideas about international economic relations emerged independently of Keynes and well before the Anglo–American negotiations of 1942–44. As far back as the mid-1930s, he had already outlined his commitment to a new kind of multilateral economic order that would endorse freer trade and stable currencies, but also exchange rate adjustments and the regulation of cross-border capital movements. White's first major opportunity to implement these beliefs at the international level came through his involvement with US–Latin American financial relations in the late 1930s and early 1940s, where he assumed a leadership role. In this context, he made clear his support for not just counter-cyclical 'Keynesian' policies but also import-substitution industrialization. As he wrote to Wallace on 1 December 1941, 'any attempt to expand the industrial element in the economies of the least industrialized countries would be very difficult without the aid of a tariff schedule which would protect such industries during their infancy' (quoted in Green, 1971: 125). White was also one of the most prominent advocates of large-scale US public lending to Latin America as early as 1938 (see for example, Green, 1971: 46; Oliver, 1975: 92–3; Rees, 1973: 74–5, 100).

The influence of this embedded liberal ideology on US economic policy towards Latin America in the late 1930s and early 1940s should not be overstated. After all, it had gained prominence partly for the simple reason that its prescriptions dovetailed nicely with the US strategic and economic goals described above. The 'embedded liberals' may have believed imperialism to be as 'dead as the brontosaur', but other US officials and businesses (particularly from capital intensive industrial sectors) backed the Good Neighbor policy for less high-minded and more instrumental reasons tied to US military and commercial interests. Those promoting the new model of US–Latin American economic co-operation also encountered a number of domestic opponents that inhibited its full implementation. These included isolationist Republicans in Congress as well as opponents of the interventionist economic policies of the New Deal — such as Republicans and conservative Democrats in Congress, the business community, and more conservative officials within the Roosevelt administration such as Secretary of State Cordell Hull — who worried that the new Latin American policy was translating misguided statist economics into foreign economic policy. Many US financial interests also highlighted that public sector lending to Latin America would cut into their own profits in this area. Lobbyists representing US investors — particularly the Foreign Bondholders Protective Council which had close links to the State Department — also argued that the US should not extend financial assistance to countries that had defaulted on their payments or seized foreign assets until these countries had reached a settlement with their creditors.

The Initial Financial Content of the Good Neighbor Policy

Despite these political constraints, a number of important initiatives were undertaken by US policy makers committed to the new model of financial co-operation with Latin America. The first signs of the new policy appeared between late 1938 and mid-1939 when the Roosevelt administration began to extend large loans from the Export–Import Bank to support selected Latin American state-sponsored 'development' projects, as well as currency stabilization initiatives. After the outbreak of World War II in September 1939, the State Department signalled its willingness to endorse more loans, even to countries that had not yet settled outstanding claims with US creditors. An inter-departmental committee also approved expanded lending from the Export–Import Bank and the Exchange Stabilization Fund (ESF) to support Latin American governments (US Government, 1939: 508–11; see also Adams 1976: 198–204, 215–9, 250–2; Boughton, forthcoming; Rees 1973: 74–5, 100, 103).

Even more important, at a Panama meeting of foreign ministers of the American republics in late September/early October 1939, US officials pushed for the creation of a permanent Inter-American Financial and Economic Advisory Committee (IFEAC) which would include financial experts from each country. The mandate of this Washington-based committee, to be chaired by Welles, was to build 'close and sincere cooperation' among the American republics that would 'protect their economic and financial structure, maintain their fiscal equilibrium, assure the stability of their currencies, promote and expand their industries, intensify their agriculture and develop their commerce' (US Government, 1939: 76). At its first meeting in mid-November, Welles told Latin American delegates that the US would respond quickly to requests for financial help but was also committed to developing long-term initiatives that boosted inter-American commerce and stimulated Latin American economic development. The initiative that immediately attracted US attention was the idea of creating an Inter-American Bank. This idea had been proposed at various Inter-American meetings as far back as 1890. Now, US officials — led by Berle, and with the detailed work done by White — took the lead in preparing a draft charter for the bank that was endorsed by the IFEAC by mid-February 1940 and announced publicly in mid-April (US Government, 1940: 346–9; see also Berle and Jacobs, 1973: 271–7, 286–91).

Described by the US government's press release as 'the economic implementation of the Good Neighbor policy' (US Federal Reserve, 1940: 518), the Bank proposal put forward a clear embedded liberal vision. The body's liberal multilateral principles were outlined in its goals to 'assist in stabilizing the currencies of American republics', 'encourage general direct exchanges of the currencies of American Republics' and 'increase international trade, travel and exchange of services in the Western Hemisphere', and more generally 'foster cooperation' in economic affairs (US Federal Reserve, 1940: 524). At the same time, the institution outlined a new central role for the public sector in international finance. The Bank's proposed US$ 100m of capital could not be lent without the approval of the receiving country's government, and the IFEAC also highlighted that 'each country shall have the autonomy to determine its own monetary policy'.[1] Most previous proposals for an Inter-American Bank had assumed such a bank would be controlled by private financiers or independent central banks, but this Bank's shares and directors were to be controlled by national governments. US Treasury officials, particularly the Secretary of the Treasury, Henry Morgenthau, had insisted on this provision, overriding objections from the Federal Reserve, and Berle explained Morgenthau's position in very similar terms as those later expressed during the Bretton Woods negotiations: 'I think probably what you really get in the Treasury is a reflection of the classic fight between Mr Morgenthau and the Federal Reserve Bank of New York... I think he [Morgenthau] has considered right along that the United States Government was trying to revest itself of authority which it ought to have and which it has more or less lost to a substitute for Mr Montagu, an American substitute for a Montagu Norman [the Governor of the Bank of England from 1920–44].... That's the way it more or less lies, I think, in his mind'.[2]

More generally, the Bank's lending was designed to promote the 'development' goals of national governments (US Federal Reserve, 1940: 524). As US officials such as Berle made clear, the objective was to replace 'the old very speculative forms of finance' with capital movements that 'could be made to serve national needs' and that were 'following the more careful plans of the various governments involved with a view to the steady development of the country' (quoted in Oliver, 1975: 96–7). The 'speculative forms of finance' being discussed were not just those involving US private investors but also capital flight from Latin America. Indeed, one of the key tasks of the Bank would be to recycle the foreign holdings of private Latin American citizens in the form of stable loans back to Latin American countries. For this purpose, it was empowered to sell its own debentures within Latin American countries and to accept deposits not just from governments and

1. Quote from 'Project for the Creation of an Inter-American Banking Institution Presented by the Subcommittee One of the Inter-American Financial and Economic Advisory Committee Entrusted with the Study of Monetary and Financial Problems' (undated, but from early December 1939), p. 2, US National Archives, Record Group 59, Records of the US Federal Reserve System, Board of Governors Central Subject File 301.23–9.
2. 'Conversation between Dr Goldenweiser and Mr Berle, January 25, 1940', p. 9, US National Archives, Record Group 59, Records of the Federal Reserve System, Board of Governors Central Subject File, 301.23–9.

central banks, but also from individual citizens across Latin America. To reinforce its multilateral commitment to Latin American development, the IFEAC also created an Inter-American Development Commission (IADC) at this time that was designed to support private investment in the region, including in the industrial sector. Indeed, the US business representative on the Commission was chosen from an industrial firm, Westinghouse Electric Co., and Roosevelt explicitly ruled out any New York bankers from serving on the Commission (US Government, 1940: 374–5; see also Green, 1971: 315).

The Ambitious Proposals of Mid-1940

US financial policy towards Latin America moved in an even more ambitious direction in the wake of the dramatic German military victories across continental Europe in mid-1940. At the time, the Germans put forward a plan for a post-war international economic order within Europe and they made it clear that Latin American countries might benefit from this 'New Order' if they remained friendly to the Axis cause. It is frequently noted that Germany's proposal first provoked Keynes into developing his post-war International Clearing Union plan, a plan which was initially completed by April 1941 on a basis that involved only the sterling area (van Dormael, 1977: Ch 1; Skidelsky, 2000: 194–9). It is much less well known that the German planning also encouraged US officials to develop proposals for a more integrated economic bloc within the Americas and that these were prepared much earlier, in late May and early June of 1940. Many of these proposals were summarized in an important 10 June memo by Collado which outlined 'An Economic Program for the Americas' involving much closer inter-American trade and financial relations within a multilateral framework. In the trade realm, Collado argued that the US needed to try to help Latin American countries adjust to collapse of their export markets in Europe by offering tariff concessions, encouraging trade diversion, purchasing surplus commodities, and supporting international commodity agreements that could stabilize the prices of key Latin American exports. If the German threat intensified, Collado argued that the US might also need to push for the creation of a 'hemispheric trade and production organization' that would be controlled by representatives of the various American republics. This body would be empowered to regulate the trade and production of these countries while at the same time 'allowing as much room for self-determination by the individual nations as possible' (US Government, 1940: 362, 366, 367).

In the monetary and financial realm, Collado called for greater US assistance to Latin America in the areas of short-term balance of payment support and longer-term development loans. He noted that 'the Inter-American Bank would, of course, constitute the best institution for inter-American cooperation' in these respects. But he noted that funds could also come from the

IADC and a larger Export–Import Bank. He also highlighted that Morgenthau was recommending the creation of a new fund which could be specifically devoted to the purpose of extending short-term balance of payments assistance to Latin American countries, and that he was 'continuing to explore this point with Dr Harry White and other officials of the Treasury Department, whose views in general coincide with those expressed in this memorandum and those of officers of the Department' (US Government, 1940: 365, 363).

Another proposal that attracted Roosevelt's attention at this time came from a group of businessmen, economists and lawyers outside the government who were led by Nelson Rockefeller. Their plan for a 'Hemispheric Economic Policy' was similar, but it put even more emphasis on the need to promote economic development in Latin America through technical and financial assistance, including initiatives to convert outstanding Latin American debts into local currency that could be used for investment. Langer and Gleason (1952: 633) note that Roosevelt particularly liked this plan's 'pronouncably New Deal approach to the hemisphere problem'. An interdepartmental committee, established by Roosevelt and chaired by Berle, quickly backed its basic elements in a 20 June memo which called for 'vigorous action' to be 'undertaken as rapidly as possible in the broad field of development in some American Republics of new industries and production' (US Government, 1940: 370).

After Roosevelt publicly announced the new US plan on 21 June, domestic opponents soon shot down some of its more ambitious proposals, most notably the creation of 'Inter-American Trading Corporation' that would have been empowered to market export staples of the hemisphere and co-ordinate trade relations with the outside world (Gellman, 1979: 93–4; Green, 1971: Ch 4; Pike, 1995: 214–6). But in the financial area, he proceeded to send the IAB proposal to the US Senate for ratification and he requested in mid-July a large expansion of the Export–Import Bank's lending capacity from US$ 200m to US$ 700m. The latter request was approved by Congress in late September (although not without some opposition) and the Bank expanded its lending immediately (Becker and McClenahan, 2003: 45–59). At an important meeting of the Inter-American foreign ministers in Havana, the US also invited Latin American governments to approach the US Treasury for currency stabilization loans and White handled the many requests that were quickly forthcoming (Rees, 1973: 104).

At this time, Hull also highlighted the US desire to promote 'methods for improving the standard of living of the peoples of the Americas, including public health measures, nutrition studies, and suitable organizations for the relief distribution of some part of the any surplus commodities' (quoted in Notter, 1949: 35). To support these goals, Roosevelt soon appointed Rockefeller to head a new 'Office for Coordination of Commercial and Cultural Relations Between the American Republics' (soon renamed Office of the Coordinator of Inter-American Affairs), on which White also sat as the Treasury's representative (Rees, 1973: 100–4).

US policy towards Latin American debt also shifted around this time. In mid-June, Roosevelt had instructed the interdepartmental committee studying Rockefeller's plan that the problem of 'external debts should be faced realistically and these debts should not stand in the way of constructive financial and trade assistance' (US Government, 1940: 370). In his 21 June public announcement of US plans, Roosevelt then noted that 'when and as it may be found necessary and advisable, increased attention should be given to the problem of existing foreign indebtedness of some Latin American countries' (quoted in Guerrant, 1950: 161). By the end of the year, many of the outstanding disagreements between debtors and US bondholders had been resolved. In cases where a resolution had not been reached, the State Department increasingly overrode the concerns of US bondholders when considering financial assistance packages (US Government, 1941: 58, 72). Indeed, by the spring of 1941, Green (1971: 316) notes that important officials in the US government were even recommending 'a full-scale revamping of the [Bondholder] Council, including immediate changes to key personnel, plus moving the headquarters of the Council from New York City to Washington, in order to bring the Council closer to the government's influence and outlook'.

A New Kind of Money Doctoring

One final aspect of US financial policy at this time deserves mention (particularly because it is entirely ignored in the historical literature on the Good Neighbor policy). In his 21 June 1940 announcement, Roosevelt had called upon US government agencies to 'give immediately further attention to such questions as the extension of new credits and of cooperation, when desired by other American Republics, in the strengthening of their monetary systems' (US Government, 1940: 370). This request was partially fulfilled by the Treasury's willingness to consider currency stabilization loans. But in 1941, the US also initiated the first of a series of ambitious technical assistance missions that were designed to 'strengthen' Latin American monetary systems. These missions were reminiscent of US 'money doctoring' missions to Latin America in the 1920s, but the advice offered was now very different and in keeping with the new embedded liberal thinking.

The first mission, headed by White, went to Cuba in the fall of 1941 and by the spring of April 1942 it had 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-dollarize 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 payment imbalances (American Technical Mission to Cuba, 1942). These reforms were supported by many in the Cuban nationalist government at the time and key US officials saw them as necessary to promote growth and preserve political stability. But the advice provoked opposition from New York bankers such as W. Randolph Burgess and the US banking community in Cuba (whose membership on the US technical mission had been explicitly rejected by the State Department). It also incensed 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. His objections were overruled, however, by Welles and other State Department officials in Washington who chided Braden 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' (US Government, 1942: 303; see also 296–315; Braden, 1971: 305–6; Rees, 1973: 105; US Government, 1941: 128–33, 191–5; 302–11).[3]

At the same time as the Cuban mission, another request for US financial advice came from Paraguay, a country which also lacked a central bank and had a monetary system dominated by foreign (primarily Argentine) currency. Paraguay at this time was headed by a government strongly committed to a statist economic programme aimed at nationalist objectives. US officials once again accommodated these sentiments by recommending similar, if not even more ambitious, reforms as had the White mission (these reforms were implemented between 1943 and 1945). These recommendations met with less opposition in the US because of fears of the strong German (and Argentine) influence in Paraguay at the time and because existing US commerce with the country was minimal. They were promoted by Robert Triffin, the new chief of the Latin American section of the staff of the Federal Reserve's Board of Governors, who explicitly rejected (using much stronger language than White) the orthodox monetary ideas of past US money doctors to Latin America, such as Edwin Kemmerer, as outdated and incompatible with new embedded liberal priority of domestically-oriented monetary policy. Indeed, in preparing his advice for Paraguay, Triffin even went out of his way to consult extensively with, and acknowledge his debt to the ideas of, Raúl Prebisch who was emerging at this time as the leading Latin American economist critical of orthodox liberal monetary policy (Dosman, 2001; Helleiner, 2003: Ch 7).

3. In the end, the Cuban reforms were delayed until the end of the decade.

The Fate of the IAB

Not all of the financial initiatives launched at this time met the expectations of their supporters. The greatest disappointment was the failure to create the IAB. Although the US had joined eight other Latin American countries in signing the Bank's convention in May and June of 1940, only one of these countries (Mexico) ever ratified it. The failure of the US, in particular, to ratify the convention sealed its fate. Although Roosevelt had asked the US Senate to consider the proposal in early July 1940, hearings on the issue were delayed until early April 1941 and a Senate-wide vote on the proposal was never held.

The IAB plan encountered strong domestic opposition from familiar quarters: isolationists, private financial interests, and conservative opponents of New Deal economics. One of the most important opponents once again was Burgess, the Vice-President of National City Bank of New York, the largest US bank operating in Latin America at the time. Burgess appeared to be worried that the business of private US banks in the region would be damaged by competition from the IAB. But even when government officials agreed to scale back the activities of the IAB to minimize potential competition in early 1941, Burgess remained opposed. He made clear his more general concern that the Bank would be governmentally-controlled and thus would accelerate the trend towards political control of economic life.

Just as significant was the opposition of the powerful Senator Carter Glass from Virginia who was chair of the Senate Banking and Currency Committee. Although he was a Democrat, Glass held quite conservative economic views and he had strongly opposed the more interventionist economic policies of the New Deal. He objected to the IAB proposal on these same grounds and also because he felt the Bank would be controlled by Latin American governments. After the IAB proposal had been approved by a subcommittee of the Senate Foreign Relations Committee in mid-May 1941, Glass insisted that his committee be permitted to examine the idea before it was presented to the Senate as a whole. Once this request was granted, Glass effectively killed the bill by simply delaying its examination indefinitely (Gellman, 1979: 160; Green, 1971: 60, 67–73, 314).

THE GOOD NEIGHBOR POLICY'S INFLUENCE ON THE BRETTON WOODS PLANNING

The embedded liberal model for US–Latin American financial relations was thus only partially implemented in the 1938–42 period. Indeed, for this reason, historians are often quite harsh in judging the policy, arguing that US behaviour in this period hardly matched the lofty promises of the Good Neighbor ideals. When the US entered the war in December 1941, this gap between rhetoric and reality only grew as US financial assistance increasingly focused on Latin American projects that served US defence needs directly rather than broader development goals in the region (Green, 1971: 78–9, Ch 4).

These indictments of the Good Neighbor financial policy may be deserved, but they overlook the broader historical significance of US–Latin American financial relations in the 1938–42 period. Despite its inconsistencies and limitations, the Good Neighbor policy played an important role in resurrecting American economic internationalism and, more specifically, in giving birth to a new embedded liberal vision for international financial relations. This vision, and its accompanying policy innovations in the US–Latin American context, subsequently had an important influence on the Bretton Woods negotiations.

The Link Between the Good Neighbor Policy and the Initial US Post-war Plans

As I noted at the start of the paper, some other scholars have inferred this influence by highlighting the affinities between the design of the Bretton Woods institutions and that of the IAB proposal, Export–Import Bank lending and ESF activities in the late 1930s and early 1940s. But the case that the Good Neighbor policy influenced the Bretton Woods preparations need not rely just on inference. It was highlighted by US officials themselves at the time. Pike (1995: 22–3) notes that Roosevelt held the strong view during the war ‘that the American hemisphere, under the guidance of those who had fashioned the Good Neighbor policy, had indeed pioneered the sort of international system that would guide Europe to serenity and economic development in the postwar world’ (see also Kimball, 1991: Ch 6). When developing the IAB proposal in early 1940, Berle also argued that ‘this makes a nucleus around which things will grow’ and it was ‘a laboratory study’ in how the world-wide economic relations would need to be rebuilt after the war.[4] Similarly, the head of the Commerce Department’s Latin American section noted in late 1942 in a memo to Welles: ‘I believe that the Good Neighbor Policy in the hemisphere has been the laboratory in which have been distilled the essences from which a post-war plan can be realistically brewed for the entire world’ (Gellman, 1979: 167).

US officials also made clear from the very start of the Bretton Woods negotiations that the design of the post-war international economic order had to give priority to the kinds of issues that had already arisen in the context of US–Latin American financial relations. When Keynes first presented his draft post-war economic plans to Roosevelt in the summer of 1941, van Dormael reports that the US President ‘felt the initiative and attitude

4. Quotes from ‘Conversation between Dr Goldenweiser and Mr Berle, January 25, 1940’, p. 8, US National Archives, Record Group 82, Records of the Federal Reserve System, Board of Governors Central Subject File 301.23–9; see also Berle and Jacobs (1973: 284).

too purely British, and the terms of reference too exclusively European. He wanted South American countries to be remembered in any world statement' (van Dormael, 1977: 21). Similarly, when Keynes and White first met in the summer of 1942 to discuss the details of post-war planning, White rejected Keynes' preference for bilateral British–American negotiations on the grounds that 'he favored broader negotiations, particularly including the Latin American nations' (Oliver, 1975: 126).

The importance of the Latin American connection was also clear from the fact that White even intended his initial draft proposals of the IMF and IBRD to be presented first at an Inter-American meeting of foreign ministers in Rio in January 1942. Organized in the wake of the Japanese attack of 7 December 1941 on Pearl Harbor, the meeting was one at which the US intended to offer additional economic assistance to the region in return for security co-operation. In advance of the meeting, Morgenthau had asked White on 14 December to prepare a plan for a 'Fund to be used during the war to give monetary aid to actual and potential allies and to hamper the enemy; to provide the basis for post-war international monetary stabilization arrangements; and to provide a post-war "international currency"'.[5] White had in fact been preparing post-war plans on his own time since the spring and Horsefield argues that it is likely that he had completed an informal draft of them during his October visit to Cuba (Horsefield, 1969a: 11–12; Oliver, 1975: xvi, 110–11). He was thus able to respond quickly and had a draft ready by the end of the month for both an 'Inter-Allied Bank' and an 'Inter-Allied Stabilization Fund'.

As part of the preparations for the Rio meeting, he showed these drafts to Welles on 6 January and suggested that they be presented at the meeting (which he would be attending) and released simultaneously to other allies. Welles concurred and even wanted to propose a resolution backing the plan at the meeting. Morgenthau, however, argued that such a major initiative should not be presented without prior consultation with European powers (Horsefield, 1969a: 13; Young, 1950: 778). In the end, a compromise was reached to put forward a resolution at Rio which called for a 'special conference' to be held 'for the purpose of considering the establishment of an international stabilization fund'. The preamble to the resolution (which passed easily at the conference) noted that the fund would not only assist 'the struggle against aggression' but also 'contribute to the realization of the economic objectives set forth at the First and Second Meetings of the

5. Quoted in van Dormael (1977: 40); see also Horsefield (1969a: 12). The idea of an international currency had also been promoted by Roosevelt in the US–Latin American context in 1939–40. Berle reports that in December 1939, Roosevelt had wanted 'a new kind of Inter-American currency, preferably to be called "Unitam"' (quoted in Berle and Jacobs, 1973: 274). In his late December 1941 draft, White endorsed the idea of an international currency unit — rather than a fully fledged world currency — and the name he eventually gave it (in his December 1942 draft) was uncannily similar: 'unitas'.

Ministers of Foreign Ministers of the American Republics at Panama and Habana' (Director General of Pan American Union, 1942: 43–4). This latter phrase provided a very clear confirmation to Latin American delegates of the link between the post-war planning and the Good Neighbor financial vision.

It is worth noting that the resolution did not mention White's proposed 'Inter-Allied Bank'. Its absence is perhaps explained by the fact that the Rio conference made a point of urging governments to ratify the IAB proposal (Bemis, 1943: 376–7). Indeed, supporters of the IAB within the US also made a renewed effort at this time to convince Glass to allow the proposal to be voted upon in the Senate as a whole (Green, 1971: 70–3). This effort was unsuccessful, but White's continued interest in the IAB at this time is clear from the fact that his subsequent April 1942 draft of the Fund — the version that was finally presented to Roosevelt — made a point of mentioning that the IAB could work alongside the Fund (Horsefield, 1969b: 61).

In his initial drafts of the Fund and Bank, White highlighted other issues that reflected the history and principles of the Good Neighbor financial policy. For example, his proposed 'Bank for Reconstruction and Development of the United and Associated Nations' was designed to provide loans not just for 'reconstruction' but also for 'development' that would 'raise the productivity and hence the standard of living of the peoples of the member countries'. In its initial incarnation, the Bank was also empowered 'to help stabilize the prices of essential raw materials and other important commodities'. Indeed, in an echo of the US plans of mid-1940, the Bank was even tasked at this time to organize and finance an 'International Essential Raw Material Development Corporation to increase the world supply of essential raw materials' and an 'International Commodity Stabilization Corporation to stabilize the price of important commodities' (quoted in Oliver, 1975: 291, 293).

White's discussion of trade policy in his April 1942 Fund proposal also explicitly accepted the case for infant-industry tariff protection. Free trade theory, the proposal noted, assumed that capital is fully utilized, 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'. White 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' (Horsefield, 1969b: 70).

The Fund and Bank were also assigned a role of assisting the resolution of disputes arising from debt defaults. The Fund's charter declared that member governments could not default on external loans 'without the approval of the Fund'. This phrase was designed by White to empower the Fund to engage in 'compulsory arbitration' in debt settlements (Horsefield, 1969b: 44, 71). A similar provision was inserted into the Bank's charter. It was prohibited from lending to countries whose national government had defaulted on a foreign loan, but an exception was made if the government 'has agreed to renew service of the defaulted debt on a basis worked out by a special committee appointed by the Bank for that purpose'.[6] White's justification of this provision clearly reflected his frustrations with the influence of private US bondholders *vis-à-vis* Latin America in the late 1930s:

> the committee could approach the problem [of debt adjustments] with a great deal more objectivity than could be true of a bondholders' committee representing the creditors and working with a committee representing the debtors . . . . With a committee of the Bank making the recommendations the loan could be forthcoming if the defaulting government accepted the committee's recommendation of terms of adjustments irrespective of whether the bondholders did or did not. As it is now the bondholders are in a position frequently to prevent the government from extending any credits on the grounds that they are not satisfied with the terms of adjustment offered by the defaulting government. (Quoted in Oliver, 1975: 303)

These provisions for the IMF and IBRD to play the role of debt arbitrator were certain to appeal to Latin American governments. They had in fact been demanding an international organization to play this role since the early 1930s. At the 1933 Montevideo conference, for example, the Mexican delegation had proposed the creation of 'public international organizations to take care of debts negotiations and agreements, in order to exclude thereby the intervention of Bankers' Committees and to look for the interest of both debtors and bondholders'.[7] This proposal had been supported by many Latin American countries, and a subcommittee of the conference had even recommended the creation of an Inter-American Bank, one of whose tasks would be 'to improve the onerous conditions in which many of the Latin American countries negotiate their foreign loans'.[8] US delegates had argued at the time, however, that they had no authority to negotiate about US private creditors' relations with Latin American countries, and the proposal had been deferred to a future meeting. Now, suddenly, White was endorsing this proposal.

6. Quoted in Oliver (1975: 292). Two other exceptions were also made: 1) if 'the defaulted loan was made between Allies in a common war', or 2) if 'ninety percent of the member votes approve the loan'.
7. *VII Conference Internatíonal Americana, Delegación de México*, p. 2, US National Archives, Record Group 43, Records of International Conferences, Commissions, and Expositions; International Conference Records, US Delegation to the Seventh International Conference of American States, General Records, 1933–34, Reports of Delegates. Committee on Initiatives, 2–4, Box 5, 4th Committee Economic and Financial, no 1.
8. *Fourth and Ninth Committees: Minutes and Antecedents*, p. 49, US National Archives, Record Group 43, Records of International Conferences, Commissions, and Expositions; International Conference Records, US Delegation to the Seventh International Conference of American States, General Records, 1933–34, Reports of Delegates, Committee on Initiatives, 2–4, Box 7.

Finally, White also raised the issue of regulating capital flight from poorer countries. As we have seen, the problem of capital flight had received some attention at the time of the development of the IAB proposal in late 1939/early 1940. White raised it again now in his discussion of the need for capital controls. From an industrialized country perspective, he argued that capital controls could be useful in curtailing disruptive currency speculation. But for poorer countries, White noted that capital flight was an equally important problem: 'Less hectic and less dramatic yet in the case of some countries during some stages of their development capable in the long run of even greater harm, is the steady drain of capital from a country that needs the capital but is unable for one reason or another to offer sufficient monetary return to keep its capital at home' (Horsefield, 1969b: 67). White even suggested that rich countries should be required to assist poorer countries in their efforts to control damaging flight capital.

Towards the Bretton Woods Conference

Many of these specific provisions did not survive into subsequent drafts of the Bretton Woods proposals. The Bank's role in commodity price stabilization was dropped after the State Department objected that it was too ambitious and would interfere with its own post-war planning for commercial policy. The debt arbitration role for the Bretton Woods institutions was dropped in the face of State Department fears that it might encourage defaults, as well as Morgenthau's objections that the institutions should not become debt collectors for private investors (Oliver, 1975: 124–5, 143–8, 158, 375; see also Helleiner, 2006). Although the IMF's Articles of Agreement allowed and even encouraged the use of capital controls, objections from the New York banking community also led US policy makers to drop the provision that countries receiving capital flight would be obligated to help poorer countries control these flows (Helleiner, 1994: Ch 2).

Despite this watering down of White's ambitions, his core commitment to the provision of international public funds to support the 'development' of poorer countries remained a central principle of the US Bretton Woods drafts, and it was shared by US officials well beyond White's immediate circles in the US Treasury. Even before White's initial draft, the influential and more conservative Council of Foreign Relations was discussing post-war plans that would include an international banking institution designed to bolster development in 'backward and underdeveloped regions' (Shoup and Minter, 1977: 166). This commitment to extend large post-war public financial assistance to Latin American for development purposes retained wide support among US officials through 1943 and 1944 (Green, 1971: 123–36).

This US position helps to explain why Latin American governments emerged as strong supporters of the Bretton Woods negotiations. They recognized that the US post-war plans addressed not just problems that arose in the context of US–UK economic relations, but also the commitment to 'development' that had been featured in the Good Neighbor financial policy. When Morgenthau described White's initial plan as a 'New Deal in international economics' (van Dormael, 1977: 52), Latin American officials were already familiar with the embedded liberal conception of international economic relations that underlay this phrase. And to them, it was associated with the Good Neighbor policy, a policy which — despite its limitations — had been popular across the region.

Keynes often failed to recognize the Latin American view. Just before the Bretton Woods conference, van Dormael (1977: 153–4) reports that Keynes felt 'most of the countries invited, the majority of them from Latin America, knew little or nothing of international finance, had nothing to contribute, and would merely encumber the ground'. White, however, knew better and when making his final preparations for the conference in the spring of 1944, he expressed his full confidence that Latin American governments would approve the final drafts (van Dormael, 1977: 124–5). Indeed, the goals of Bretton Woods were strongly endorsed at a New York conference in mid-May 1944 involving the various National Commissions of the IADC that had been appointed by governments across the Americas.[9]

In the final negotiations over the Bretton Woods texts in July 1944, the Latin American delegates were very supportive of US goals. Eckes (1975: 154) notes that they 'worked hand in glove with Morgenthau's assistants' and that 'throughout the conference other foreign delegates watched the solid Western Hemisphere coalition with amazement'. There were only a few issues which generated controversy in Latin American circles. One involved the question of the relative quota positions of various Latin American countries *vis-à-vis* each other within the Fund, an issue that Collado delicately resolved.[10] Some Latin American delegates — notably the Mexican Finance Minister who chaired one of the conference's three major 'commissions' — also pressed for silver to be recognized as a monetary reserve alongside gold (Blum, 1967: 265–6; van Dormael, 1977: 166, 178). In addition, there were some questions raised about why the Bretton Woods conference was not addressing the question of commodity price stabilization (Eckes, 1975: 163). The most important issue from a Latin American perspective, however, concerned the priority given to 'development' lending within the IBRD's charter. When the USSR and Eastern European countries called for the Bank to give priority to the reconstruction of war-devastated areas, Latin American delegates at

9. 'Recommendations and Resolutions Adopted by the Conference of Commissions of Inter-American Development, New York, May 9–18, 1944', US National Archives, Record Group 229, Office of Inter-American Affairs, Records of the Department of Economic Development, Commerical and Financial Division, E-18, IADC-Advisory Committee.
10. Under the original Articles of Agreement of the IMF, two of the twelve seats on the Executive Board were set aside for Latin American countries.

the Bretton Woods conference objected and insisted that equal attention be given to 'development' goals in areas not affected by the war.[11]

Interestingly, it was not just US New Dealers and Latin American officials who carried the experience of the Good Neighbor financial policy into the Bretton Woods negotiations. So too did US opponents of that earlier policy. We have already seen how more conservative groups within the US administration and New York bankers succeeded in watering down some of White's more ambitious initial proposals that related to Latin American issues. In an echo of the IAB debate, officials from the Commerce Department also insisted that the IBRD be prohibited from short-term financing of international trade in order to prevent it from competing with US banks (Oliver, 1975: 143, 157). Despite these changes, opposition to the final Bretton Woods Agreements remained strong among conservatives, isolationists, and New York bankers who were led once again by Burgess in his role as President of the American Bankers Association. Many of these opponents argued that the best alternative to the Bretton Woods institutions would be to simply expand the Export–Import Bank (from US$ 700m to US$ 3.5b), a suggestion that was also familiar to anyone involved in US–Latin American financial relations since the late 1930s and which the New York bankers had earlier favoured as an alternative to the IAB (Oliver, 1975: 213–14, 218–19). In the end, however, this coalition was not able to muster enough support to prevent Congress from passing the Bretton Woods Agreements.

CONCLUSION

The central argument of this paper can be briefly summed up. The final Bretton Woods Agreements had deeper political roots than the 'sterling–dollar diplomacy' between Britain and the US in the 1942–44 period. Several years before, in the context of US–Latin American financial relations, US foreign economic policy had already become inspired by an embedded liberal vision and US officials had worked closely with their Latin American counterparts to try to implement it within an inter-American context. This earlier US–Latin American diplomacy not only served as an important backdrop for US policy makers as they began to plan the post-war international financial order in late 1941/early 1942. It also influenced the specific content of the US proposals during the Bretton Woods negotiations.

What is the significance of this historical analysis? To begin with, it helps to explain what Ikenberry (1992: 300) calls the 'unclear' origins of the initial

11. Oliver (1975: 184, 188–89; see also Blum, 1967: 274–5). Collado noted later that most Latin American countries were much more interested in the Bank than the Fund. Indeed, he notes that their willingness to join the Fund was linked to the fact that membership in the Bank was conditional on this ('Oral History Interview with Emilio Collado', 11 July 1974, Truman Presidential Museum and Library website: www.trumanlibrary.org/oralhist/collado2.htm).

US Bretton Woods proposals of 1942. It also helps to correct a common misunderstanding of the relationship between the US and British negotiators in the Bretton Woods process. Because Keynes first developed his International Clearing Union proposal in the spring of 1941, it is often suggested that White was simply 'catching up' to the British thinking when he developed his initial plan of late 1941/early 1942 (van Dormael, 1977). In fact, the reverse was true. White and other US officials were far ahead of Keynes in mapping out an international financial order based on embedded liberal principles. They had been developing, and even implementing, this model since the late 1930s, albeit in a regional rather than global context.

This history also highlights that the embedded liberal vision of Bretton Woods was never concerned exclusively with the problems of industrialized countries. Embedded liberalism is often described as an ideology that attempts to reconcile liberal multilateralism with the Keynesian welfare state that emerged across the industrialized world in the wake of the Great Depression. This interpretation is too narrow. From the very start, the ideology also sought to marry liberal internationalism with the new 'developmentalist' priorities that had become influential across Latin America (and other poorer regions) during the 1930s. This wider focus helps to explain why so many poorer countries gave their support to the Bretton Woods Agreements at the 1944 conference. Indeed, the conventional view that the embedded liberal vision of Bretton Woods focused primarily on industrialized country problems has always been difficult to reconcile with the fact that over half the participants at the 1944 conference were from poorer countries and that Latin American countries in particular (which made up nineteen of the forty-four countries represented) were very supportive of the goals of the conference.

Why then has this 'Southern' dimension of the Bretton Woods' vision of embedded liberalism attracted less scholarly attention? Probably because its implementation was cut short in the immediate post-war years. At the end of the war, Latin American governments suddenly found international financial assistance for development purposes scaled back dramatically as US attention focused on European reconstruction. In the Truman administration, many aspects of US–Latin American economic relations then 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 financial policies.[12] With the onset of the Cold War and beginning famously with Truman's 1949 inaugural address, they began to promote a conception of 'development' in poorer countries that would be based on more orthodox free market and free trade policies. New York bankers were appointed to run the World Bank and they approved lending only when it was at near-market rates and when countries had reached settlements on their past debts from the 1930s with foreign bondholders

12. Braden quoted in Grow (1981: 91). See also Green (1971: 262, Ch 7); Gellman (1979: 207–11); Pike (1995: 297).

(Casey, 2001). The key US policy makers associated with the 'embedded liberal' orientation of the earlier US policy were marginalized and their support for state-led 'developmentalist' policies was often associated with support for Communism in the McCarthyite era.

The Southern side of the embedded liberalism of the Bretton Woods Agreements thus proved to be less well politically grounded in US foreign economic policy than the Northern side. As we have seen, it gained political prominence partly because of the ideals of New Deal policy makers and partly because it dovetailed with US strategic and economic interests in the context of that country's rivalry with Nazi Germany and the growing strength of Latin American economic nationalism. The influence of these factors diminished in the immediate post-war years. Even at the high point of its influence, the implementation of this aspect of embedded liberal ideology encountered constant and powerful critics within the US, some inspired by alternative ideologies and others influenced by interest-based motivations.

This rapid waning of the US commitment to the 'Southern' side of embedded liberalism after the Bretton Woods conference set the stage for the subsequent Southern calls — led by Prebisch among others — for a more 'development-friendly' international economic order that arose after the late 1950s and flourished with the New International Economic Order proposals in the 1970s. Interestingly, many of these proposals resurrected ideas that many US policy makers had endorsed in the Good Neighbor era of American diplomacy, such as greater support for import-substitution industrialization, the creation of an international debt arbitration mechanism, commodity price stabilization, and larger international development assistance. Many conservative Northern critics of the NIEO saw it as an unacceptably radical challenge to the Bretton Woods system. In their view, the granting of any kind of 'special treatment' for poorer countries threatened to undermine the multilateral principles of Bretton Woods. But far from being incompatible with the Bretton Woods vision, the Southern demands were actually calling for reforms that would have represented an implementation of the 'embedded liberal' ideals that key US policy makers had initially put forward in the lead up to the Bretton Woods conference.

The failure to recognize the distinct 'development' orientation of the Bretton Woods vision has characterized not just conservative but also radical analysis.[13] In recent years, it has become increasingly common to read in left-of-centre scholarship that the internationally-supported 'development' project was born with Truman's 1949 speech and was thus fatally infected

13. It is also reflected recently in the otherwise excellent history of the World Bank by Kapur, Lewis and Webb (1997) who suggest that Harry Dexter White was not very interested in the development function of the Bank and that the goal of promoting 'development' in poorer countries garnered little attention in preliminary drafts of the Bank (ibid.: 57–69). As they put it, '"Development" barely made it on board' in the mandate of the Bank; it 'arrived almost by accident and played a bit role at Bretton Woods' (ibid.: 58, 68).

with Cold War ideology from the start (see, for example, Sachs, 1992). As I have tried to show, however, the idea of providing international support for 'development' existed earlier during the encounter between US New Dealers and Latin American 'developmentalists' in the late 1930s and early 1940s. The specific content of the international development project that emerged from that encounter was different from that put forward by Truman only a few years later. In short, a closer examination of US–Latin American financial relations in the late 1930s and early 1940s is useful not only in providing a new perspective on the origins and meaning of the Bretton Woods Agreements but also in contributing to our understanding of the history of the project of international development more generally.

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