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Central bankers as good neighbours: US money doctors in Latin America during the 1940s

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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 offered advice that was in keeping with the more interventionist economic ideas that underpinned the Bretton Woods order being built by US policymakers at the time.[2] 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 Neighbour' 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 1942–6 – have been quite ignored by historians of US foreign policy and financial diplomacy. Drawing on US archival sources, this article 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 Neighbour policy towards Latin America during the late 1930s and early 1940s. The second and third sections

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[2] For the more interventionist ideology underpinning the Bretton Woods order, see especially John Ruggie, 'International regimes, transactions and change', *International Organization*, 32 (1982), pp. 379–405.

describe the unconventional content and style of the Triffin missions vis-à-vis the Kemmerer missions. The fourth section explains the emergence of this new approach to 'money doctoring' in US foreign economic policy by examining the role of US interests, ideas and intra-bureaucratic struggles. The article concludes with a brief discussion of the importance of this episode for scholarship on international money doctoring, the Good Neighbour Policy, and wartime and postwar US financial diplomacy.

I

The Triffin missions grew out of a transformation in the Roosevelt administration's Good Neighbour policy towards Latin America. In the early to mid 1930s, the phrase 'Good Neighbour policy' had been used by US officials to highlight the assertion 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 worries about growing German influence in the region.[3] Equally important, US policymakers became increasingly concerned about the impact on US economic interests of what Green has termed Latin American 'revolutionary nationalism'.[4] 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 initiatives that would promote industrialisation, the growth of an internal market, national ownership and better social conditions.[5] Some aspects of this shift clearly threatened some US economic interests in the region, as the Bolivian and Mexican confiscation of US oil property in 1937 and 1938 highlighted well.

In this context, US policymakers endorsed a new model of economic cooperation with Latin America. They would provide new financial and technical assistance to Latin American governments that could help diminish German influence, promote

3 See especially Lloyd Gardner, *Economic Aspects of New Deal Diplomacy* (Madison, WI, 1964); Irwin Gellman, *Good Neighbor Diplomacy: United States Policies in Latin America 1933–1945* (Baltimore, MD, 1979); Irwin Gellman, *Secret Affairs: Franklin Roosevelt, Cordell Hull, and Sumner Welles* (Baltimore, MD, 1995); Mark Gilderhus, *The Second Century: U.S.–Latin American Relations Since 1889* (Wilmington, DE, 2000); David Green, *The Containment of Latin America: A History of the Myths and Realities of the Good Neighbor Policy* (Chicago, 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, KS, 1981); Edward Guerrant, *Roosevelt's Good Neighbor Policy* (Albuquerque, 1950); Frederick Pike, *FDR's Good Neighbor Policy* (Austin, TX, 1995).

4 Green, *Containment*.

5 See also David Rock, 'War and postwar intersections', in D. Rock (ed.), *Latin America in the 1940s: War and Postwar Transitions* (Berkeley, 1994), pp. 15–40.

political and economic stability, secure investments and cultivate markets for US exports. The new policy was explicitly designed to support many of the more moderate 'developmentalist' goals of Latin American governments such as the promotion of industrialisation and other domestic economic and social goals. This latter aspect of the new policy also had important ideational roots.[6] 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. 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 1938–42 period and who was sceptical of orthodox free trade policies in developing countries.[7] 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 in this camp.

US policymakers who were committed to the new model of economic cooperation with Latin America undertook a number of important initiatives.[8] One of the first was the decision, endorsed by US Congress in 1938, to send US technical experts to support Latin American development goals. When several Latin American governments responded by requesting US technical assistance in the *monetary* realm, the question quickly arose: which US government agency should respond to these requests? In the 1920s, the task of foreign financial missions had been left to the Federal Reserve Bank of New York (FRBNY), private

[6] See, for example, Pike, *FDR*; Gellman, *Good Neighbor*.

[7] See, for example, Green, *Containment*, p. 125; 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*, vol. 3: *Documents* (Washington, DC, 1969), p. 70.

[8] See, for example, Eric Helleiner, 'Reinterpreting Bretton Woods: international development and the neglected origins of embedded liberalism', *Development and Change*, 37.5 (2006), pp. 943–67.

New York bankers and prominent liberal economists such as Kemmerer.[9] But in the wake of the 1929 stock market crash and the Great Depression, Roosevelt's New Dealers had asserted 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).[10] When the issue of Latin American financial advising first emerged, officials in the Federal Reserve Board worried that the FRBNY would try to get involved 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'.[11]

They were just as concerned about the Treasury's role. The Treasury had been assuming a much more prominent role in setting US international monetary policy throughout the 1930s, a role that looked likely to be reinforced with the advent of the Good Neighbour policy of the late 1930s. Under the leadership of Henry Morgenthau and his assistant Harry Dexter White, the Treasury was strongly promoting the US lending programme to Latin America at this time and Treasury officials were considering how to become involved in financial advisory activities vis-à-vis the region. 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 by a staff of full-time experts.[12] 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.[13]

At the 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

[9] See, for example, Emily Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy 1900–30* (Harvard, MA, 1999); Paul Drake, *The Money Doctor in the Andes: The Kemmerer Missions 1923–1933* (Durham, NC, 1989).

[10] 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 article. For this history, see for example John Woolley, *Monetary Politics: The Federal Reserve and the Politics of Monetary Policy* (Cambridge, 1984).

[11] Gardner to Eccles, 29 May 1939, pp. 3–4, US National Archives, Records of the Federal Reserve System (henceforth RG82), Board of Governors International Subject Files (henceforth ISF), box 236, file: 'Foreign Missions, General (1922 – Feb. 1945)'.

[12] Mr Taylor to Secretary Morgenthau, 21 Nov. 1938, p. 2 in US National Archives, Records of the Treasury Department (henceforth RG56), 450/81/20/07, box 28, file: 'Latin America Monetary Research Study – 1939'.

[13] Gardner to Eccles, 29 May 1939.

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.[14]

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 the State Department approached both White and Gardner for help, highlighting 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'.[15] When White made it clear that he hoped to lead the mission, Gardner pushed the Board to resist this outcome by recommending Emmanuel 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'.[16] But the Board was not willing to free Goldenweiser from his other responsibilities for the task, and White was selected to lead the mission.[17]

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.[18] Indeed, Gardner even reported to Goldenweiser that the mission seemed to be helping 'in a small, but nevertheless significant, way improving our relations with the Treasury'.[19] 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 government-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,

14 Nathaniel Weyl to Gardner, 30 June 1941, in RG82, ISF, box 157, file: 'Latin America General (1930–1942)'.
15 Gardner to Goldenweiser, 12 Sept. 1941, p. 1 in RG82, Board of Governors Central Subject Files (CSF), 501.2-15 box 2270.
16 Ibid.
17 Carpenter to Goldenweiser, 17 Sept. 1941 RG82, CSF, 501.2-15 box 2270.
18 Gardner and Vest to Board of Governors, 16 Oct. 1941, RG82, CSF, 501.2-15; Gardner to Goldenweiser, 2 Nov. 1941, RG82, CSF, 501.2-15 box 2271.
19 Gardner to Goldenweiser, 2 Nov. 1941, p. 3.

and even allowed for the use of exchange rate adjustments and foreign exchange controls to correct payments imbalances.[20]

These ambitious goals signalled a clear departure from the more orthodox economic liberal ideas that inspired Kemmerer's thinking. In his 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 and the banking community within Cuba (both American and Cuban) whose membership on the US technical mission had been explicitly rejected by the State Department. The advice 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'.[21]

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 its chairman Marriner Eccles, a Utah private banker who had been appointed by Roosevelt and who had had rather unorthodox monetary views during the Great Depression.[22] This support provided an important first signal of the direction of the Federal Reserve Board's thinking about Latin American monetary problems.

II

The full development of the Federal Reserve Board's approach to the issue then became apparent after the hiring of Robert Triffin. Triffin was a Belgium-born economist who had received his PhD from Harvard (where he won the Wells prize for best thesis) and had taught there since 1939.[23] In August 1942, he joined the Federal Reserve Board's research division and headed up its Latin American section.

[20] American Technical Mission to Cuba, 'Report to the Cuban government of the American Technical Mission to Cuba', *Federal Reserve Bulletin* (August 1942), pp. 774–801.

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

[22] 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, MA, 1967), p. 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, CSF, 501.2-15 box 2272.

[23] His PhD thesis was a theoretical work and was published as *Monopolistic Competition and General Equilibrium Theory* (Cambridge, 1940).

He quickly set to work on developing a major set of research studies which would compile 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'.[24]

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 the 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.[25] 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 US 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.[26]

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 government 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.[27] 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.[28]

[24] Gardner to Goldenweiser, 24 July 1943, RG82, ISF, box 148, file: 'Latin America 1923–1954, Banking, General'.

[25] Grow, *Good Neighbor*, 53.

[26] US Government, *Foreign Relations of the United States: Diplomatic Papers 1939*, vol. 5: *The American Republics* (Washington, DC, 1957), p. 764.

[27] Eric Lamb, 'Memorandum for Mr Duggan', 9 Sept.1941, US National Archives, Records of the Department of State (henceforth RG59), 834.516/104; Laurence Duggan to Mr Compton, 12 Sept. 1941, RG59 834.516/104.

[28] Eliot Hansen to James Drum, 23 Sept. 1942, US National Archives, Records of the Dept of Economic Development, Office of Inter-American Affairs (henceforth RG229), box 589, 'Paraguayan Bankers Study Mission'; Gardner to Goldenweiser, 19 Dec. 1942, RG82, ISF, box 231, file: 'Foreign Missions, Paraguay (1942 – Oct. 1943)'.

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 an enormous amount of 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'.[29] 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 reform of the country's monetary and banking system.[30]

Triffin's mission to Paraguay 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 results,[31] 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 and 1945 – 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. But Triffin's reforms went into much more detail than had the Treasury missions in outlining the rationale for these reforms as well as 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

[29] Triffin, 'Suggested Outline of Study for Dr. Gonzales', 12 Dec 1942, p. 2, RG82, ISF, box 259, file: 'International Training Program, Paraguay (1942–44)'. See also Triffin to Gardner, 3 Dec. 1942, RG82, ISF, box 259, file: 'International Training Program, Paraguay (1942–44)'.

[30] Gardner to Goldenweiser, 19 Dec. 1942, RG82, ISF, box 231, file: 'Foreign Missions, Paraguay (1942 – Oct. 1943)', p.1.

[31] deBeers to Harry Dexter White, 'United States economic advice to Latin America', 22 Jan. 1943, RG56, 450/81/20/07, box 28, file: 'General vol. 1'.

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 America was magnified. Then, between 1929 and 1931, 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'.[32]

What was needed, Triffin argued, 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 industrialisation. To meet these objectives, Paraguay needed first to create a new national currency that could be managed by the central bank in an activist manner to serve domestic goals. To enable a domestically focused monetary policy, the central bank's policies would no longer be dictated strictly by its reserve levels. Changes in the exchange rate would now also be permitted within a certain range in exceptional circumstances (that required legislation). The country's existing exchange controls were also formally endorsed and designed to serve monetary policy more directly by placing responsibility for their management with the monetary department of the central bank. In the event that exchange controls were no longer used, the central bank would still be empowered to control capital flows, including foreign borrowing, in order to avoid the problems of the Kemmerer banks. As Triffin put it in an internal memo to the Board,

> The inability of the central bank, under a system of free convertibility, to control the internal monetary effects of foreign borrowings has been, in the past, one of the main factors in the failure of Latin American central banks. For example, one of the most orthodox systems of central banking ever devised was the one given by Kemmerer to Colombia. Immediately upon its establishment in 1923, the system led to a fantastic, although completely orthodox, inflation prompted by large-scale borrowings in the United States.[33]

Through these various provisions, Triffin noted that 'the rigid monetary automatism of the gold standard has been avoided in favor of a bold attempt at autonomous monetary management'.[34] At the same time, the central bank needed to be equipped with strong powers to conduct this domestic management. Kemmerer

[32] Robert Triffin, 'Address to the Pan American Society on recent monetary and exchange developments in Latin America', 11 April 1945, pp. 2–3, RG82, ISF, box 156, file: 'Latin America, General (1943 – May 1946)'.

[33] Robert Triffin to Board of Governors, 'Second Mission to Paraguay', p. 7, 10 Jan 1945, file: 'Paraguay, Monetary and Banking Reform', RG82, ISF, box 162, file: Paraguay, General (1940–54).

[34] Ibid., p. 6.

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 often 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 also to impose reserve requirements on private banks and control private lending. The Paraguayan central bank was one of the first in Latin America to be empowered to set flexible reserve requirements in this way. Even more dramatically, Triffin empowered the central bank to lend directly to the public on the grounds that this was 'indispensable for monetary management in new countries, characterized by monoculture, a high degree of dependence on foreign trade, and the absence of a developed financial market'.[35] The direct lending would be carried out by a new department of the central bank whose activities came under the supervision of the monetary department to ensure that the lending served the overall goals of monetary policy.

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 Paraguay's new monetary and central banking laws, describing them as 'revolutionary' and 'a fundamental departure from the central banking structures previously established in Latin America'.[36] The Federal Reserve Board shared his enthusiasm and the Board approved a large print run of one thousand 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.[37]

Thomas was correct 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) where local governments specifically requested that Triffin

35 Ibid., pp. 4–5.

36 Robert Triffin, *Monetary and Banking Reform in Paraguay* (Washington, DC, 1946), 25; US Federal Reserve, 'Monetary developments in Latin America', *Federal Reserve Bulletin*, 31.6 (June 1945), p. 528.

37 Woodlief Thomas to Board of Governors, 16 Jan. 1946, p. 1, RG82, ISF, box 162, file: 'Paraguay, Monetary and Banking Reform'.

'do somewhat the same sort of job for them as he did for Paraguay'.[38] Triffin himself 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.

III

What explains Triffin's ability to implement reforms in Paraguay and his subsequent missions? 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 decided on their specific 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]

One consequence of Triffin's 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, a 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.'[40] By contrast, Triffin went out of his way to highlight how his advice differed and was tailored specifically to each unique situation.

In Guatemala, for example, he objected strongly when he received a copy of the government's proposed legislation before his arrival and found that it was modelled

[38] These are Gardner's words describing the views of a Dominican government representative in: Gardner to Szymczak, 12 May 1945, p.1, RG82, ISF, box 221, file: 'Foreign Missions, Dominican Republic (1945)'.

[39] Triffin, 'The New York Federal Reserve Bank and the Latin America Work', no date [but January 1944], pp. 1–2, RG82, ISF, box 229, file: 'Foreign Missions, Latin Missions (1934–1954)'. See also Triffin to Arthur Schlesinger, 13 May 1946, p. 6, RG82, ISF, box 156, file: 'Latin America, general (1943 – May 1946)'.

[40] Drake, *Money Doctor*, p. 25.

on his earlier Paraguayan reforms (as well as some advice he had given the Costa Rican government): 'I cannot warn you strongly enough [he wrote to a local official] against adopting a system identical for Guatemala. Many of the provisions of the Paraguayan laws are derived from special problems of Paraguay and would not be applicable to Guatemala.'[41] With a very strong currency and enormous foreign exchange reserves, the introduction of exchange controls was clearly unnecessary for Guatemala. Because of the government's healthier financial position, Triffin also believed it was possible to create a government bond market quickly and he thus gave greater emphasis to the possibility of open market operations in the central bank law. Discussions with local officials also prompted Triffin to recommend the creation of a separate public institution (although still influenced by the central bank) to lend to the public rather than having the central bank itself take on this task as in Paraguay. Triffin was also encouraged to outline a clearer set of guidelines for monetary policy whenever the central bank faced balance of payments problems or inflationary/deflationary tendencies.[42]

His subsequent advice for the Dominican Republic was also distinctive. Once again, with such a strong balance of payments position, the country did not require exchange controls to defend the new currency that was being created to replace the dollarised monetary system that had been in place for decades (although the possibility for such controls was left open, as it was for Guatemala). A more cautious set of guidelines was also recommended for the Dominican Republic's reserve policy than for Guatemala because of the need to establish confidence in the new currency in light of the country's difficult historical experience with inflation and depreciation.[43] In addition, the conservative political climate in the country ensured that local officials were less interested in the provision of credit for local development and the need for control over existing foreign banks' lending activities. In explaining to a Dominican official why his advice differed in these various ways from that for Guatemala, Triffin summed up his general philosophy well: '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'.[44]

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

[41] Triffin to Manuel Noriega M, p. 3, 14 April 1945, in RG82, ISF, box 138, file: 'Guatemala, Monetary and Banking Reform (1945 – June 15, 1946)'.

[42] Triffin to Prebisch, 25 Sept. 1945, RG82, ISF, box 138, file: 'Guatemala, Monetary and Banking Reform (1945 – June 15, 1946)'.

[43] Wallich to Sproul, 22 Oct. 1947, RG82, ISF, box 221, file: 'Foreign Missions, Dominican Republic (1946–1954)'.

[44] Triffin to Alfonso Rochac, 7 Jan. 1946, p. 1, RG82, ISF, box 221, file: 'Foreign Missions, Dominican Republic (1946–1954)'.

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.'[45] 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 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 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 industrialisation that might help Latin American countries escape declining terms of trade associated with agricultural exports.[46] In an unpublished 1943 book proposal, he argued 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 industrialisation. At the core of 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.'[47] This commitment to policy autonomy echoed that of Keynes. Indeed, Prebisch had developed a strong interest in Keynes' ideas in this period and he published the first Spanish-language introduction in Latin America to Keynes' *General Theory* in 1947.[48] 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

[45] Robert Triffin, 'Address', pp. 2, 14.

[46] Edgar Dosman, 'Markets and the state in the evolution of the "Prebisch Manifesto"', *CEPAL Review*, 75 (2001), pp. 87–102.

[47] Prebisch quoted in Dosman, 'Markets and the state', p. 90.

[48] 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, 1994), p. 96.

industrialisation 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.[49] 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'.[50] Triffin did not just draw on Prebisch's ideas in his own work but also invited 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. 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.[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 and other US financial advisers also went out of their way to encourage 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.[52] 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.

IV

The Triffin missions, thus, were quite different from those of Kemmerer both in content and style. How do we explain this new approach? I argued at the start of the article that the Triffin missions were part of a broader 'activist' Good Neighbour economic policy that had begun in the late 1930s. Can we see the influence of the specific goals that drove that policy in these financial missions?

[49] For example Robert Triffin, 'National central banking and the international economy', in his *The World Money Maze* (New Haven, CT, [1947] 1966), p. 141 fn2.

[50] Gardner to Federal Reserve Board, 18 Aug.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)'.

[51] Prebisch to Triffin, 17 June 1945, p. 2, RG82, ISF, box 162, file: 'Paraguay, Monetary and Banking Reform'.

[52] Triffin and Hammond to Board of Governors, 11 Jan. 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', 7 Aug. 1946, RG82, CSF 001.411.

It is certainly true that the missions were initially linked to the broader US strategic objectives in the region that had first encouraged the activist Good Neighbour economic policy. Gardner highlighted how they could bolster US influence in Latin America as far back as mid 1939 and he reiterated it frequently thereafter.[53] And 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.[54] But 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.

Triffin himself, however, continued to see the financial advisory missions as a way to increase US influence and prestige in the region in 1945:

> 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.[55]

It is understandable why the Federal Reserve missions were viewed across Latin America by 1945 as such 'welcome' evidence of the Good Neighbour 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 Neighbour policy in the State Department (such as Welles) and Treasury (such as White and 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 Neighbour lending policies.[56]

The Federal Reserve missions, thus, marked one of the few ways in which the Good Neighbour 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

[53] Gardner to Eccles, 29 May 1939, RG82, ISF, box 236, file: 'Foreign Missions, General (1922 – Feb 1945)'. See also Gardner, 'Latin American Field', 25 May 1943, RG82, ISF, box 231, file: 'Foreign Missions, Paraguay (1942 – Oct. 1943)'; Gardner to Goldenweiser, 24 July 1943, p. 3, RG82, ISF, box 148, file: 'Latin America 1923–1954, Banking, General'.

[54] For the State Department's recognition of the importance of Triffin's work, see also Hammond to Triffin, 20 June 1944, RG82, ISF, box 231, file: 'Foreign Missions, Paraguay (June – July 1944)'. See also Hammond to Governor, 18 Oct. 1943, p. 3.

[55] Triffin to Board, 'Questions on which Board decisions or guidance are needed', 11 Jan. 1945, RG82, ISF, box 230, file: 'Foreign Missions, Paraguay (1945–1954)'.

[56] Braden quoted in Grow, *Good Neighbor*, p. 91. See also Green, *Containment*, p. 262, ch. 7; Gellman, *Good Neighbor*, pp. 207–11; Pike, *FDR*, p. 297.

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 programme backed by White, Welles and others.[57] 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 administration officials could embrace.

To what extent were the Triffin missions designed to serve the US economic interests associated with the Good Neighbour policy? Triffin himself argued that the goal of cultivating more industrialised and diversified economies in Latin America would help boost markets for US exporters (especially of capital equipment).[58] Other Board officials also argued that the missions served US economic interests because they promoted monetary and financial stability abroad.[59] But it is difficult to find evidence that specific private US economic interests themselves backed the missions for these reasons. Indeed, as we saw in the case of the Treasury-led Cuban mission, some US economic interests clearly felt *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.[60]

The strongest link between the Good Neighbour policy and the Triffin missions existed at the ideational level. The new orientation of financial advisory missions was part of the broader ideological shift in US foreign economic policy associated with New Deal values. In the Latin American field, these values were associated with scepticism 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

[57] See for example Gardner to Eccles, 29 May 1939, RG82, ISF, box 236, file: 'Foreign Missions, General (1922 – Feb. 1945)'.

[58] Triffin to Arthur Schlesinger, 13 May 1946, p. 2. Triffin, 'Notes on an investment program for Latin America', 25 Sept. 1942, RG82, ISF, box 152, file: 'Latin America, Finance (1936–1954)'.

[59] David Grove to Board of Governors, 11 Jan. 1945, p. 4, RG82, ISF, box 230, file: 'Foreign Missions, Paraguay (1945–1954)'. The US ambassador to Paraguay noted that Triffin's 1943 monetary reform made the import of US products much easier because the cost of remittances fell dramatically; Lesley Frost to State Dept, 12 Nov. 1943, RG82, ISF, box 162, file: 'Paraguay, General (1940–1954)'.

[60] For example 'Interview Havana August 27, 1942', with Findlay, Burns and Lopez, RG82, CSF, 501.2-15 box 2272.

Good Neighbour economic policy.[61] In true New Deal fashion, he 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 the newly elected reformist government of Juan José Arévalo in Guatemala in 1945, a government that he felt resembled some of the centre-left reformists he had admired in his native Belgium during the late 1930s.[62]

More generally, the ideas of Triffin and other Federal Reserve Board officials reflected the shift away from liberal international monetary orthodoxy that accompanied not just the New Deal but political shifts elsewhere in the world in the wake of the Great Depression. This worldwide trend was codified in the 1944 Bretton Woods Articles of Agreement which broke new ground in constructing a multilateral monetary and financial order that would be more compatible with the more interventionist domestic economic policies that had emerged across the world during the 1930s.[63] Triffin and other Federal Reserve Board officials explicitly saw the content of their Latin American work as complementing and bolstering these objectives of the Bretton Woods agreements.[64]

The motivation deserves emphasis because central bankers in this period are often portrayed as conservative thinkers sceptical of the new interventionist ideals embodied in the Bretton Woods framework. Many of the British and US negotiators at Bretton Woods certainly held this view; they explicitly hoped the outcome of the negotiations would wrest control over international monetary issues from the orthodox central bankers and private financiers who had dominated the sphere in the 1920s. And it is certainly true that many of those who had been prominent in the 1920s, including Kemmerer, New York private financiers and various FRBNY policymakers, did oppose the Bretton Woods agreements. But the Federal Reserve Board was a rather distinct intellectual environment. 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 government agencies – along with the Treasury – that

[61] See especially Triffin to Arthur Schlesinger, 13 May 1946. See also his political affiliations in Belgium in the late 1930s, Robert Triffin, 'Conversation avec Catherine Ferrant et Jean Sloover', in Catherine Ferrant and Jean Sloover, *Robert Triffin: conseiller des princes* (Brussels, 1990).

[62] Triffin to Board of Governors, 2 Oct. 1945, RG82, ISF, box 221, file: 'Foreign Missions, Dominican Republic (1945)'; Triffin, 'Conversation', p. 28.

[63] See especially Ruggie, 'International regimes'.

[64] Triffin to Board of Governors, 2 Oct. 1945, p. 6; Triffin to Board of Governors, 11 Jan. 1945, RG82, ISF, box 230, file: 'Foreign Missions, Paraguay (1945–54)'; Triffin to Board, 'Questions'; Triffin to Hammond, 21 July 1944, RG82, ISF, box 109, 'Colombia Money and Banking Study'; Hammond to Governor, 18 Oct. 1943, RG82, ISF, box 231, file: 'Foreign Missions, Paraguay (1942 – Oct.1943)'. 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', 1 Dec. 1943, p. 2, RG82, ISF, box 148, file: 'Latin America 1923–1954, Banking, General'.

was most receptive to the new thinking.[65] Under Eccles' leadership, it had attracted many innovative economists who were keen to challenge liberal orthodoxy, many of them – including Triffin and White – linked to Harvard University's economics department which had emerged as the leading centre for Keynesian thinking in the US.

This contrast between the Board officials and more orthodox policymakers in the FRBNY influenced US financial advising towards Latin America. We have already seen how Board officials feared that the FRBNY might attempt to take the lead in this field when the issue first arose in the late 1930s. In early 1944, after Triffin's mission to Paraguay was underway, two FRBNY officials, John Williams and Werner Knoke, became just as concerned that *their* institution was being squeezed out of financial advisory activities.[66] In response to these concerns, both Triffin and Gardner highlighted that the Board was 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 partly because of the complexities of coordinating mission supervision between more than one agency. But 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'.[67] 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'.[68]

Intense discussions 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 that central banks used to control.[69] 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 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.

65 Albert Hirschman, 'How the Keynesian revolution was exported from the United States', in his *A Propensity to Self-Subversion* (Cambridge, 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, NJ, 1989).

66 Gardner to Eccles, 'Relations with FRBNY', 23 Jan. 1944, pp. 1–2, RG82, ISF, box 148, file: 'Latin America 1923–54, banking, general'; Triffin, 'The New York Federal Reserve Bank'.

67 Triffin, 'The New York Federal Reserve Bank', p. 2.

68 Gardner to Eccles, 'Relations with FRBNY', 23 Jan. 1944, RG82, ISF, box 148, file: 'Latin America 1923–54, Banking, General'.

69 'Memorandum of Conference on Foreign Missions, May 4, 1945', RG82, ISF, box 230, file: 'Foreign Missions, Mimeographed Letters'.

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.'[70]

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.[71] In keeping with the new effort to cooperate, Triffin invited Henry 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.[72] But the jurisdictional tussles between Sproul and Eccles over Latin American work continued to reemerge at various moments, even as late as 1948.[73]

These disputes between the Federal Reserve Board and FRBNY were yet another legacy of the New Deal. They partly reflected an ideological struggle between the more conservative FRBNY officials and those at the Board who were more sympathetic to New Deal values.[74] But they also signalled 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.

[70] Szymczak to Board, 26 Feb. 1945, pp. 1, 2, RG82, ISF, box 230, file: 'Foreign Missions, Mimeographed Letters'. See also No author, 'Foreign Missions of the Federal Reserve System', 29 March 1945, RG82, ISF, box 218, file: 'Foreign and International Problems General (1945 – Feb. 1946)'.

[71] 'Memorandum of Conference'; 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'.

[72] Triffin to Szymczak, 21 Aug. 1945, RG82, ISF, box 221, file: 'Foreign Missions, Dominican Republic (1945)'.

[73] Eccles to Sproul, 25 Nov. 1945, p. 2, RG82, ISF, box 218, file: 'Foreign and International Problems General (1945 – Feb 1946)'; Eccles to Secretary Snyder, 9 April 1948, p. 1, RG82, ISF, box 273, file: 'Meetings and Conferences General (1944 – June 1951)'.

[74] See also Sproule's concerns about Triffin's advice: Sproul to Szymcak, 13 July 1945, RG82, ISF, box 221, file: 'Foreign Missions, Dominican Republic (1945)'. See also O. E. Moore to Sproul, 'Dr Herman Max', 29 Oct. 1940, RG82, ISF, box 180, file: 'Venezuela General (1923–54)'.

V

The Triffin missions represented a remarkable episode in US financial diplomacy. 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 1920s). 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 to tailor and differentiate their advice to the 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. To begin with, the Triffin missions highlight how varied the content and style of international money doctoring has been. 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.[75] 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 last 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 programmes, the unconventional Triffin missions present an interesting precedent.

The Triffin missions also contribute to our understanding of the Good Neighbour 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 were one of the more popular aspects of the Good Neighbour policy in the eyes of many Latin American policymakers. 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'.[76] The Triffin missions also reveal how some aspects of the Good Neighbour economic policies lasted much longer – well into the late 1940s – than is often assumed.

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

[76] Arthus Marget to Szymczak, 16 March 1951, p. 2, RG82, ISF, box 230, file: 'Foreign Missions, Paraguay (1945–1954)'.

Finally, this episode reveals the wider geographical significance of the shift in US financial diplomacy that took place in the wake of the 1930s. Within traditional scholarship, the Anglo-American Bretton Woods negotiations of 1942–4 are recognised to have signalled a new kind of financial internationalism which aimed to reconcile liberal multilateralism with the imperatives of the new Keynesian welfare state in industrialised countries. But this article highlights the fact that the new US financial diplomacy at this time also sought to promote international cooperation that could accommodate 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 US and Latin American economists led by Triffin and Prebisch was working to *implement* this new vision even *before* its British–American counterpart led by Keynes and White had put the final ink on the 1944 Bretton Woods Agreements.