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## The Council on Foreign Relations and the Grand Area: Case Studies on the Origins of the IMF and the Vietnam War

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## The Council on Foreign Relations and the Grand Area: Case Studies on the Origins of the IMF and the Vietnam War

### Abstract

This article examines the role of corporate elites within the Council on Foreign Relations (CFR) in establishing the framework for the IMF and the rationale for the Vietnam War. Drawing on the CFR's War-Peace Study Groups, established in World War II as a conduit between corporate elites and the U.S. government, the author first analyzes the role of corporate power networks in grand area planning. He shows that such planning provided a framework for postwar foreign and economic policymaking. He then documents the relationship between corporate grand area planning and the creation of the IMF. The analysis concludes with an examination of the relationship between grand area planning and the Vietnam War.

### Keywords

Council on Foreign Relations, Grand Area, US Foreign Policy

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## INTRODUCTION

In this article I aim to show why and how the corporate and financial leaders in the United States took the initiative to shape the world to their economic and political liking after World War II. I do so through the analysis of two very different instances among several that could have been chosen, the creation of the International Monetary Fund and the origins of the Vietnam War. These initiatives were undertaken by the high and the mighty of the corporate world, with invaluable assistance from a wide range of hired experts, because they were convinced they needed far-flung trading partners and investment outlets to make the American economy productive and profitable in a way that was acceptable to them. Otherwise, they might have to acquiesce in a liberal-labor solution to the country's economic problems that was anathema to them: greater government direction of the economy. Nor did they want to risk the higher taxes that would come with more government involvement. As part of their efforts to regain full dominance after the liberal-labor advances during the Great Depression and the New Deal, they also wanted to roll back the rapid growth of unions (Domhoff, 2013; Domhoff & Webber, 2011, Chapters 2, 3, and 5).

The article has three parts. It begins with a discussion of the Council on Foreign Relations, hereafter often called the "council" or the "CFR," as one key policy-discussion organization in the corporate-sponsored policy-planning network that is an essential link between the corporate community and government. The section pays special attention to the origins of the CFR's War-Peace Studies, which gradually developed a strategic plan for a "Grand Area" economic region that provided the framework for postwar foreign and economic policy-making (Domhoff, 1990, Chapter 5; Shoup, 1974, 1975). The article then turns in the second and third sections to case studies of the origins of the IMF and the Vietnam War to document the way in which the Grand Area plan and the members of the War-Peace Study Groups that created it played the critical role in postwar planning.

## THE CFR AND THE POLICY-PLANNING NETWORK

The Council on Foreign Relations is one of several policy discussion groups that have been sponsored by the members of the corporate community since the beginning of the twentieth century. Along with the corporate and foundation-financed think tanks that developed soon thereafter, they are the main way in which corporate leaders attempt to reach policy consensus among themselves on the issues that impact all of them and then impress their views upon government. They are the hubs of the complex network that links the corporate community and government. As I have claimed since the early 1970s (e.g., Domhoff, 1971, 1979, 2014), they have four main functions within the corporate community and three roles in relation to the general public:

1. They provide a setting in which corporate leaders can familiarize themselves with general policy issues by listening to and questioning the experts from think tanks and university research institutes.
2. They provide a forum in which conflicts between the moderate conservatives and ultraconservatives in the corporate community can be discussed and compromised, usually by including experts of both persuasions within the discussion group, along with an occasional university professor or liberal policy advocate on some issues.
3. They provide an informal training ground for new leadership. It is within these

organizations that corporate leaders can determine in an informal fashion which of their peers are best suited for service in government and as spokespersons to other groups.

4. They provide an informal recruiting ground for determining which policy experts may be best suited for government service, either as faceless staff aides to the corporate leaders that take government positions or as high-level appointees in their own right.

In addition, the policy groups have three useful roles in relation to the rest of society:

1. These groups legitimate their members as serious and expert persons capable of government service. This image is created because group members are portrayed as giving of their own time to take part in highly selective organizations that are nonpartisan and nonprofit in nature.

2. They convey the concerns, goals, and expectations of the corporate community to those young experts and young professors that want to further their careers by receiving foundation grants, invitations to work at think tanks, and invitations to take part in policy discussion groups.

3. Through such avenues as books, journals, policy statements, press releases, and speakers, these groups try to influence the climate of opinion both in Washington and the country at large. They also provide specific guidance to the vast network of public relations and voluntary organizations that are financed by the corporate elite and their foundations (Domhoff, 2014, Chapter 5).

In the case of the Council on Foreign Relations, it had its origins in the years after World War I when many American leaders returned from the Paris Peace Conference dissatisfied with both their preparation for the negotiations and the outcome of the conference (Schulzinger, 1984; Wala, 1994). These leaders also believed that the growing economic power of the United States should lead to greater American involvement and leadership in world affairs than was previously the case. The CFR was formally founded in 1921 with the merger of a New York businessmen's discussion group and a fledgling Institute of International Affairs that consisted in good part of statesmen and academic experts.

As Robert Divine (1967, p. 20) summarizes, the council was restricted to 650 members, 400 from New York and 250 from the rest of the country, and had a membership roster that read like a *Who's Who* of American leaders. Partners from Wall Street's J. P. Morgan and Company interacted with professors, international lawyers, corporate leaders, syndicated columnists, clergymen, and State Department officials. This small membership has to be kept in mind because the CFR from the 1920s to the late 1960s cannot be directly compared to the much larger and more heterogeneous CFR that emerged in the 1970s, with a gradual change in some of its roles within the larger corporate community and the policy-planning network. It also is well established that its funding for projects came from large foundations directed by business leaders who were members of the council in significant numbers (e.g., Domhoff, 1970, Chapter 5; Schulzinger, 1984; Shoup & Minter, 1977, Chapters 1-3; Wala, 1994).

The council endeavored to realize its internationalist aims through discussion groups, research studies, articles in *Foreign Affairs*, and book-length monographs on a wide variety of countries and issue. In attempting to foster its perspective, the council saw its primary adversaries as isolationists in Congress and the nationally oriented ultraconservative business executives that did not want the United States to become entangled in world affairs outside the southern half of the Western Hemisphere. In the early 1930s, its leaders vigorously entered a national debate in opposition to "self-sufficiency" and greater government control of the economy, and supported such steps toward internationalism as the Export-Import Bank of 1933. They also backed the Reciprocal Trade Act of 1934, which would have passed without their help

because lower tariffs were a longstanding goal of the plantation owners and the Southern Democrats that were the pivotal power brokers in Congress (Gardner, 1964; Katznelson, 2013, pp. 262-264; Shoup, 1974; Woods, 2003).

Any private group seeking to influence the White House and State Department must know who is making decisions, when secret decisions are likely to be discussed and made, and what kinds of arguments and information are being utilized in making these decisions. Furthermore, to influence decisions a private group must have prestige and respect in the eyes of decision makers and access to them (Shoup, 1974, pp. 16-17). There is reason to believe that the council had such information, prestige, and access by the late 1930s. Respected scholars conducted its studies. Its leaders were regarded as highly informed about foreign affairs. Government officials were often members of its discussion groups. Then too, many members had served in government positions or as government advisers, and maintained close social relations with key decision-makers when they returned to private life. For example, CFR director Henry L. Stimson, a New York corporation lawyer for most of his adult life, had been Secretary of War under Taft, Secretary of State under Hoover, and was named Secretary of War by Roosevelt in June 1940, a position he held until the end of the war.

However, perhaps the best single example of this point about access and legitimacy for the era and issues under consideration in this article is banker Norman H. Davis, president of the CFR from 1936 until his death in 1944. His relationships with top decision-makers in the State Department and White House were long-standing and close, particularly with Secretary of State Cordell Hull and Roosevelt. The son of a successful businessman in Tennessee, Davis became a millionaire by means of financial dealings in Cuba between 1902 and 1917. Through his friendships with Henry P. Davison, a partner in J. P. Morgan, and Richard M. Bissell, president of Hartford Fire Insurance, Davis became a financial adviser to the Secretary of Treasury on foreign loans during World War I.

Davis also was a financial adviser to the American delegation to the Paris Peace Conference in 1919, where he worked with Thomas Lamont, another Morgan partner. He then served briefly as an Assistant Secretary of Treasury and Undersecretary of State before turning to a banking career in New York in March 1921. At this point Davis involved himself in the affairs of the Democratic Party, through which he became friends with fellow Tennessean Cordell Hull, then a congressman and chairman of the national party. During this time he also became friends with Roosevelt. In 1928 Roosevelt had begun work as a private citizen on an international development trust to stimulate foreign trade, and Davis helped him with the project (Gardner, 1964, p. 19). In addition, Davis was a delegate to international conferences under Republican presidents in 1927 and 1932, and Roosevelt made him an ambassador at large in 1933 and head of the American Red Cross in 1938. By the time he was elected CFR president, Davis also was a trustee of the Bank of New York and Trust Company.

Davis had direct and frequent access to Roosevelt and Hull in the years between 1940 and 1942, when postwar planning was in its crucial formative phase. For example, there were two telephones in Davis' office at the American Red Cross, one for normal calls, the other a direct line to the White House. As for Hull, his appointment calendar shows that Davis met with him in his office several times a week; he also played croquet with Davis most nights of the week (Shoup, 1974, p. 30). Similar relationships between council leaders and foreign policy leaders will become apparent as the story of postwar planning unfolds.

It is also necessary to determine whether the CFR's access to the decision-makers on foreign policy gave it any influence, or if these officials relied upon the information and

recommendations of independent experts employed by the State Department to do planning from the inside. On this issue the CFR leaders could draw upon the high stature of the experts they invited to lead their discussions, several of which came from highly prestigious universities. As is still the case today, it was widely believed at the time that the best and the brightest preferred to be employed at elite universities wherein they received higher salaries and had greater freedom than if they worked as civil servants and appointees in a government department. Council leaders were well aware of this prestige factor. For example, in a summary of a discussion with British planners at a War-Peace Studies meeting in January 1942, it was agreed that the people in government service with the time to plan ahead were the “washouts.” To have a plan with the stature to be taken seriously by “operational” appointees, it would have to be developed by experts outside of government that commanded the respect of those in key positions (Digests of Discussions, E-A25, Part II, pp. 10-11).

The influence that goes with higher prestige to one side for the moment, it is also the case that the CFR experts perforce provided the bulk of the State Department's postwar planning in 1940 and 1941 because the department had no planning capability at the time. Then they became part of the State Department in 1942 when serious planning within the government finally was undertaken. This point has been demonstrated in detailed studies by historian Laurence Shoup (1974; 1977) and in my own historical research in several different archives, but it is grounded in the research of many other scholars as well. As shown in the discussion of the origins of the IMF, it is likely that the CFR experts from major universities also enjoyed high standing and respect in the eyes of the Treasury Department as well.

In putting great emphasis on the council, I am not denying that other private organizations and internationally oriented mass media played a role in influencing government officials and public opinion. As Divine (1967) showed in detail, there were many such organizations supported by internationalists around the country. Moreover, the magazines of publisher Henry Luce, particularly *Time* and *Fortune*, pushed very hard for postwar planning from 1940 to 1944, often chiding the White House and State Department for failing to keep up with a public opinion that increasingly favored American involvement in the war and in postwar planning once France fell and Germany attacked Great Britain. As early as January 1940, for example, a 19-member *Fortune* Roundtable discussion group, consisting of a cross section of business leaders, lawyers, and association officials, called for United States participation in organizing for the postwar peace discussions.

Despite all this other activity, along with personal and financial rivalries among leaders of the various groups, it is still the case that many of the leaders of these organizations were members of the council or its postwar planning groups, including Luce and the organizer of his roundtable discussion groups. In fact, the Luce Empire's published reports were sometimes versions of what academic experts were proposing to the State Department as part of their confidential work for the CFR. In short, the council was the sustained and well-financed core of the internationalist perspective that projected a very large role for the United States in the postwar world. Its function was to create and organize the policy goals of the internationalist segment of the dominant class.

## THE DEVELOPMENT OF THE GRAND AREA STRATEGY

On September 12 1939, a few days after World War II broke out in Europe, CFR leaders met with Assistant Secretary of State George Messersmith, a longtime member of the council, to

offer their services on postwar planning. Messersmith spoke later in the day with Undersecretary of State Sumner Welles and Secretary of State Hull, both of whom expressed interest in the idea. Shortly thereafter CFR president Norman Davis talked with his friend Hull and received verbal approval of the plan (Shoup, 1974, p. 64). The State Department also conveyed its approval of the plan to the Rockefeller Foundation, which gave the council \$44,500 on December 6 to begin its work. This foundation support continued for the life of what turned out to be a five-year project, and it amounted to over \$10 million in 2013 dollars.

Members of the State Department and the CFR met at Messersmith's home in mid-December to finalize the arrangements. According to the plan, the council would set up study groups to "engage in a continuous study of the course of the war, to ascertain how the hostilities affect the United States and to elaborate concrete proposals designed to safeguard American interests in the settlement which will be undertaken when hostilities cease" (Shoup, 1974, pp. 64-66, quoting a CFR Memorandum). In short, the postwar national interest was to be the main concern of the council's work.

"Studies of American Interests in the War and the Peace," as the project was officially named, began with five study groups: Economic; Financial; Security and Armaments; Territorial; and Future World Organization. However, the first two were quickly made into one Economic and Financial Group, and the Future World Organization Group became the Political Group. Later, in May 1941, a Peace Aims Group was created to ascertain the peace aims of other countries through private discussions in New York with their leaders and representatives.

Each group had a leader, or "rapporteur" in council language, along with a research secretary and 10 to 15 members. Three of the groups had co-rapporteurs. Several hundred people participated in the groups between 1940 and 1945. They were a cross section of top-level American leadership in finance, business, law, media, universities, and the military, and they included academic experts in economics, geography, and political science as well as White House advisers and other government advisers. "Through these individuals," Shoup (1974, p. 68) reports, "at least five cabinet-level departments and fourteen government agencies, bureaus, and offices were interlocked with the War-Peace Studies at one time or another. They collectively attended three hundred and sixty-two meetings and prepared six hundred and eighty-two separate documents for the Department of State and President. Up to twenty-five copies of each recommendation were distributed to the appropriate desks of the Department and two for the President."

Isaiah Bowman, president of Johns Hopkins University, a director of the council, and one of the nation's leading geographers, was the leader of the Territorial Group. His role within the CFR and in the government from the 1920s to 1950s has been outlined in impressive detail in a biography by geographer Neil Smith (2003). Whitney H. Shepardson, a lawyer-businessman in New York, headed the Political Group; he had served as an assistant to Woodrow Wilson's closest adviser, Colonel Edward M. House, at the Paris Peace Conference and helped found the council. In 1942 he went to London to help set up a parallel set of committees with the Royal Institute of International Affairs, which was the British counterpart to the CFR. International lawyer Allen W. Dulles, later the head of the CIA in the Eisenhower Administration, along with *The New York Times'* military expert, Hanson W. Baldwin, were co-leaders of the Security and Armaments Group. Hamilton Fish Armstrong, editor of the council's *Foreign Affairs* and a major force in the overall War-Peace Studies as vice-chairman under Davis, was the leader of the Peace Aims Group.

The main figures in the Economic and Financial Group, which played the most prominent role in the issues of primary concern in this article, were two former presidents of the American Economic Association, Jacob Viner and Alvin H. Hansen. Viner, a professor at the University of Chicago, was the most highly regarded international economist of his era. He began his career of advising government and policy groups during World War I and was an advisor to the Council on Foreign Relations throughout the 1930s as well as an advisor to the Department of Treasury. Hansen, who moved to Harvard in 1938 from the University of Minnesota, was the most visible and renowned Keynesian economist in the country (Galbraith, 1971, pp. 49-50). He had numerous advisory roles within the federal government, serving as a consultant to the State Department, Federal Reserve Board, and National Resources Planning Board, among others, during the time of his involvement with the council project.

Despite differing theoretical orientations, Viner and Hansen worked closely in the Economic and Financial Group. They were joined by other economists with a similar range of views, including Percy Bidwell, Winfield Riefler, Eugene Staley, and Arthur Upgren. The fact that experts of diverse orientations were hired by the CFR for its project suggests a flexibility and farsightedness said to be lacking in the higher circles by many skeptics about the ability of at least some corporate leaders to look at the big picture and think ahead.

The Economic and Financial Group had two direct connections to the White House. The first was economist Lauchlin Currie, an early Keynesian who had worked at the Federal Reserve Board in the mid-1930s. He then joined the White House in 1939 as Roosevelt's administrative assistant, with special duties in the field of economics, a position he held until 1945. He was considered the White House liaison to the group (Roosevelt Papers: Official File 3719, November 27, 1941). He joined the discussion group officially in February 1943. Benjamin V. Cohen, a New York corporate lawyer famous for his partnership with Thomas Corcoran in crafting important New Deal legislation, including the Securities and Exchange Commission Act and the Public Utilities Holding Company Act, was the other Economic and Financial Group connection to the White House. He joined the group in September 1941.

The Economic and Financial Group later developed ties with a new policy-discussion group, the Committee for Economic Development (CED), which was created in 1942 by moderate conservatives within the corporate community that had close relationships with the Department of Commerce. One of the founders of the CED, business executive Ralph Flanders, joined the Economic and Financial Group in July 1942. Another important connection between the CFR and the CED was provided by one of the aforementioned economists, Arthur Upgren, who had a major role through the Commerce Department in organizing the CED (Collins, 1981; Domhoff, 2013, for details on the origins of the CED and its postwar impact).

At the same time as the CFR was organizing its War-Peace Study Groups, the Department of State created its own internal structure for postwar planning. In mid-September 1939, after a series of meetings with council leaders, Hull appointed a special assistant, Leo Pasvolsky, to guide government postwar planning. Shortly thereafter, on December 12, Pasvolsky drafted a plan for a new departmental division to study the problems of peace and reconstruction (Shoup, 1974, p. 70). Then, in late December, the department formed a policy committee named The Advisory Committee on Problems of Foreign Relations, with Undersecretary Welles as chairman. All members were officers of the State Department except Davis of the CFR and lawyer George Rublee, a founding member of the CFR and the director of the federal government's Inter-Governmental Committee on Political Refugees.



It is important to look more closely at the State Department's planning structure and personnel in order to understand the central role played by the CFR. First, the special assistant to Hull, Leo Pasvolsky, had been an employee of the Brookings Institution, a private think tank, from 1923 to 1935, and then received his Ph.D. in international economics from Brookings in 1936. He also had been a member of the CFR since 1938. After working for the Bureau of Foreign and Domestic Commerce in 1934-35 and the Division of Trade Agreements within the Department of State in 1935-36, he became a special assistant to Hull from 1936 to 1938, and then again from 1939 to 1946, when he returned full time to the Brookings Institution. All this suggests that Pasvolsky was as close to private postwar economic planners as he was to the decision-makers on foreign policy.

The division of policy studies envisioned by Pasvolsky in his memorandum of December 12 1939 did not come into being until early in 1941 due to the lack of personnel in the department. Indeed, Pasvolsky's memorandum indicated that the division's own research would be minimal at first and stated that it "would stress assembly of materials and the attempt to influence the research activities of unofficial organizations" (Shoup, 1974, p. 71, his paraphrase of the memorandum). In other words, most early planning would come from the council under the general guidance of the State Department. Much of this guidance came from Pasvolsky himself, who regularly attended meetings of the CFR's Economic and Financial Group.

As for the State Department's policy-level Advisory Committee on Problems of Foreign Policy, it did very little before it became defunct in the summer of 1940 because the pressure of immediate events was too great for thinking about postwar problems in the understaffed department as the war in Europe escalated in 1940. It was not replaced until late December 1941, after the United States had entered the war, when it was enlarged and renamed the Advisory Committee on Postwar Foreign Policy.

It is in this context of meager State Department postwar planning, then, that the council carried out its own postwar planning efforts. Furthermore, as the previous several paragraphs demonstrate, the CFR had direct connections with Hull, Welles, and Pasvolsky. It was an ideal situation in which an outside group could have great influence. That is, the part of the government concerned with foreign policy was both understaffed (and therefore lacked capacity) and permeable, which meant that outsiders such as the members of the CFR might be able to influence it directly.

As already noted, the earliest and most important council planning for the purposes of this article took place within the Economic and Financial Group. It began modestly with four papers dated March 9, 1940. They analyzed the effect of the war on United States trade, concluding that there had been no serious consequences up to that point. Similarly, five papers dated April 6 were primarily descriptive in nature, dealing with the possible impact on American trade of price-fixing and monetary exchange controls by the belligerents. Two papers dated May 1 provide an indication of the direction council planning might take.

The first of these papers warned that decision-makers would have to find a way to increase American imports in order to bring about a necessary increase in exports. The second concluded that high American tariffs had not had a big influence in restricting American imports. Although reducing tariffs would help to increase imports, boosting industrial activity and consumer income would do even more to increase them. Given the almost exclusive emphasis Hull put on reducing foreign and domestic tariffs to foster the international economy, this conclusion is evidence that the council was going to develop its own analysis rather than reinforcing the State Department's usual policies on economic issues. Because some scholars

who study international relations and American foreign policy believe that State Department economic policy was based on an amorphous "Wilsonianism" between 1940 and 1947, any divergences between Hull and the council perspective are evidence for CFR influence.

The Nazi invasion of France in May 1940 and the subsequent attack on Great Britain turned the attention of both the State Department and the council to the problem of stabilizing the economies of Latin American countries that previously had depended upon their exports to continental Europe. There were numerous meetings and exchanges of information between the Department of State and the council from May to October in relation to this work.

On June 10, State Department planners suggested it might be necessary to set up a single trading organization to market all surplus agriculture production in the Western Hemisphere. This would make it possible to bargain in the face of Germany's great economic power. However, it was understood that this kind of solution was not in keeping with American values and would be criticized by the corporate community. When Roosevelt asked on June 15 for a recommendation by June 20 on what to do about the economic problems of Latin America, it was decided that as an interim measure the government's Reconstruction Finance Corporation should supply the money to buy the surplus products.

Moreover, the CFR's Economic and Financial Group had concluded in a paper of June 7, three days before the first State Department memorandum, that a "Pan-American Trade Bloc" would not work because it would be weak in needed raw materials and unable to consume the agricultural surpluses of Canada and the southern half of Latin America. There were too many national economies in the hemisphere that were competitive with each other rather than complementary. Furthermore, economic isolation in the Western Hemisphere would cost the United States almost two-thirds of its foreign trade (Shoup, 1974, p. 102). As if that were not enough, CFR planners shortly thereafter concluded that any Western Hemisphere cartel for selling to Germany was doomed to failure because the self-sufficiency of the German bloc was such that it could not be forced to trade with the Western Hemisphere (Shoup, 1974, p. 106).

It was in analyzing this problem that the council began to define postwar American goals in terms of the minimum geographical area that was necessary for the productive functioning of the American economy without drastic controls and major governmental intervention. A report of June 28 1940, entitled "Geographical Distribution of United States Foreign Trade: A Study in National Interest," showed both the increasing importance of the country's manufacturing exports as compared to agricultural exports and the increasing importance of Asia and Oceania for both exports and imports. As Shoup (1974, pp. 107-108) summarizes, "They concluded that the Far East and Western Hemisphere probably bore the same relationship to the United States as America had to Europe in the past--a source of raw materials and a market for manufactures." At a plenary meeting of all council groups called for the same day the report was issued, the project's official contact with the State Department, Hugh R. Wilson, urged that materials given to the department should be couched as practical recommendations (Shoup, 1974, p. 91).

Equally important, and essential in understanding the dominant role sought by American corporate leaders and planners, other studies soon concluded that the economies of Great Britain and Japan could not function adequately in harmony with the American economy without a large part of the world as markets and suppliers of raw materials. It was emphasized that Japan's trade needs could be accommodated as part of a larger solution to world economic problems, but that the United States' problems could not be solved if Japan excluded the American economy from Asia. This economic argument, as argued in detail in the final section of this article, provides the starting point for the policies that later led to support for the French war to preserve its colony in

Vietnam and then to the application of a communist containment policy to Southeast Asia. While strategic and ideological dimensions were later added to concerns about Southeast Asia, it is the critical economic issue in relation to the British and Japanese economies that is sometimes overlooked or downplayed in accounts of American postwar foreign policy.

The council refined its analysis from July through September of 1940 with "detailed study of the location, production, and trade of key commodities and manufactures on a world-wide basis and within the framework of blocs [of nations]" (Shoup, 1974, p. 109). The four blocs were (1) the Western Hemisphere, (2) continental Europe and Mediterranean Basin (excluding the Soviet Union), (3) the Pacific area and Far East; and (4) the British Empire (excluding Canada). Due in good part to the export competition between the southern countries of Latin America on the one hand and Australia, New Zealand, and India on the other, Great Britain itself was seen as an essential market for dealing with agricultural surpluses. Only with Great Britain included was there a non-German area that was self-sufficient and harmonious, as a memorandum of September 6 concluded (Shoup, 1974, p. 110). These economic issues were embodied in a breathtaking memorandum of October 19 1940, which was the first full statement of the plan for the Grand Area region.

However, rather than discuss the specifics of this and related documents in relation to war aims, postwar trade issues, and reconstructing Germany, which have been covered in detail in original research by historians Laurence Shoup (1974, 1975, 1977) and Michael Wala (1994), I will summarize the Grand Area strategy in the next section using documents that were part of the work that led to the International Monetary Fund.

## THE GRAND AREA AND THE ORIGINS OF THE IMF

The policy discussions in the War-Peace Study Groups in 1940 and 1941 provide the starting point for understanding American postwar monetary policy and the origins of the IMF. My case for this claim builds on the work of numerous historians and policy analysts, as supplemented by my own archival research in the War-Peace documents and Digests of Discussions, and in the papers of three key participants.

Viner and Hansen are the critical connections between the War-Peace Study Groups and the government on this issue, as well as essential links to the British and their key postwar monetary and trade representatives. Strikingly, their intermediary roles are completely overlooked in the most recent account of the origins of the IMF, along with any possible input from the War-Peace Studies (Steil, 2013). To recall an earlier point, Viner was active in the CFR during the 1930s and at the same time an adviser to Secretary of Treasury Henry Morgenthau until the mid-1940s. In 1934 he helped create and manage the exchange stabilization fund within the Treasury, which was a precursor of the IMF, and in 1935 and 1936 he helped Morgenthau in negotiating a pact with Great Britain and France through which national exchange stabilization funds were used to stabilize currency values (Blum, 1959, Chapter 4). This Tripartite Pact, which grew to include several smaller democratic countries as well, was only a step or two in principle from an international monetary stabilization fund, which was the original and main purpose of the IMF.

Not insignificantly, Viner also was the person who first brought Harry Dexter White, often credited as the creator of the IMF, into the Treasury Department in the summer of 1934. He hired White to write a summary report on American monetary and banking legislation "with a view to planning a long term legislative program for the Administration" (Rees, 1973, p. 40,

quoting Viner's letter to White; Steil, 2013, p. 6). White then joined the Department of Treasury on a full-time basis in 1935, resigning his professorship at Lawrence College in Wisconsin. While not a washout in terms of ability, he was considered "superficial" and was denied tenure in the department of economics at Harvard before taking the job at Lawrence (Skidelsky, 2000, p. 240). Unknown to most people at the time, he provided government information to Soviet spies inside and outside the American government from 1935 to 1939, and then again from 1941 to 1945 (Haynes & Klehr, 1999, pp. 125-126; Skidelsky, 2000, pp. 256-263; Steil, 2013, pp. 35-39 and 293-298; Weinstein & Vassiliev, 1999, pp. 157-169).

Hansen, as the leader of the liberal Keynesians, was best known for his emphasis on public spending for domestic projects, but he was knowledgeable about monetary issues as well. As will be shown shortly, he had a role in coordinating international monetary policy with John Maynard Keynes and the other economists who worked for the British Treasury Department at the time. Other economists from the Economic and Financial Group, especially Winfield Riefler and Arthur Uppgren, also were active on the IMF project.

The starting point for the deliberations of the Economic and Financial Group on international monetary questions can be found in report E-B34, dated July 24 1941, four months before the United States entered the war. It was meant primarily as a general framework for studies of the international monetary, investment, and trade organizations that would be needed to integrate the Grand Area. Entitled "Methods of Economic Collaboration: The Role of the Grand Area in American Economic Policy," it includes a review of the Grand Area concept that is useful for its conciseness and directness:

*"The purpose of this memorandum is to summarize the concept of the Grand Area in terms of its meaning for American policy, its function in the present war, and its possible role in the postwar period. The memorandum is the introduction to a series concerned with the methods of integrating the Grand Area economically."*

It continued with a section on "The Grand Area and American defense, which starts with an excellent overview of the American economy and its needs. It is worth quoting at length to give a full sense of the breadth and depth of the council planner's blueprint for the postwar world:

*"The economy of the United States is geared to the export of certain manufactured and agricultural products, and the import of numerous raw materials and foodstuffs. The success of German arms from the invasion of Poland onward brought most of Europe under Nazi domination and threatened the rest of the world. Faced with these facts, the Economic and Financial Group sought to determine the area (excluding continental Europe, which for the present was lost) that, from the economic point of view, was best suited to the defense of the United States. Such an area would have to: (1) contain the basic raw materials necessary to the full functioning of American industry, and (2) have the fewest possible stresses making for its own disintegration, such as unwieldy export surpluses or severe shortages of consumers' goods.*

*"With this end in view," the memorandum continued, "a series of studies was made to ascertain the 'degree of complementarism' in trade of several blocs: the Western Hemisphere, the British Empire (except Canada), the Far East. (The memoranda are listed in the Appendix.) From the point of view of the United States, the Western Hemisphere is an inadequate area because it lacks important raw materials, which we get from southeastern Asia, and it is burdened with surpluses normally exported to Europe, especially the United Kingdom. An extension of the area in opposite directions to take in these two economically important regions thus becomes necessary. The extension brings new problems, but it was found that the United*

*States can best defend itself--from an economic point of view--in an area comprising most of the non-German world. This has been called the 'Grand Area.' It includes the Western Hemisphere, the United Kingdom, the remainder of the British Commonwealth and Empire, the Dutch East Indies, China, and Japan" (E-B34, 1941, p. 1).*

After a discussion of the German-controlled bloc and the relative unimportance of the Soviet Union to the American economy, the memorandum stressed the role of the Grand Area in military preparedness and in avoiding adjustments in the American economy:

*"The Grand Area, then, is the amount of the world the United States can defend most economically, that is, with the least readjustment of the American economy. To maintain a maximum defense effort, the United States must avoid economic readjustment caused by constriction of the trading area if the military cost of defending the area is not too great. What such constriction might mean in weakening the defense economy can best be seen by imagining the strain on American supplies of labor, materials, and industrial capacity of the attempt to manufacture substitutes for or to do without rubber, tin, jute, and numerous vegetable oils, instead of importing these products from southeastern Asia. Similarly, to the extent that the United States and other countries can continue to export their surpluses, some dangerous stresses in the domestic economy are prevented from developing."*

The above might seem more than enough as a blunt call for an international economy built around American needs, but there is more by way of frank geopolitics that could lead to American wars in Asia:

*"It is important for the United States to defend the Grand Area and to prevent the capture of any of its parts by the Germans. Similarly, the Grand Area must be defended from defection from within, (1) by making it economically possible for all member countries to live in the area, and (2) by preventing any country--particularly Japan--from destroying the area for its own political reasons. Some studies of the economic aspects of these problems have been made, others are projected. It is not the role of the Economic and Financial Group to determine how the area is to be defended nor to assess whether such a defense is feasible, though broad military considerations have of course played some part in determining the area, and it has been assumed that keeping the area intact is not patently impossible from a military viewpoint. Similarly, the methods of political collaboration needed to integrate the area, and the diplomacy required for keeping it intact, do not fall into the Group's sphere, except insofar as economic weapons and enticements are part of that diplomacy and the institutional structure for solving economic problems is called political. Economic collaboration within the area, however, is an important field of study for the Group. Such collaboration to secure integration is necessary to transform the economic potential of the area into military power, and is at the same time a part of the defense of the area. By creating a working economic organization for the Grand Area, we make that area more viable and stronger both economically and, presumably, politically" (E-B34, 1941, pp. 2-3).*

Two pages later, the document turned to the importance of collaboration with Great Britain in integrating the Grand Area, emphasizing that this economic collaboration must begin during the war, not after:

*"Anglo-American collaboration is the key to the integration of the Grand Area, both as a wartime measure and in forging an enduring peace on the lines desired by the two countries. Many of the problems facing the peace-makers will be determined by wartime policies and the developments of war economics. It is likely to be easier to continue economic collaboration begun in wartime than to start anew at the peace settlement. It seems important, then, that the*

*United States and British Empire countries work together within the framework of the Grand Area economy in wartime, and plan their policies--so far as is compatible with the immediate war effort--to provide the best possible basis for coping with problems of the peace” (E-B34, 1941, pp. 4-5).*

The document went on to say that there would be problems in integrating the Grand Area. There would be a need for a "conscious program" to insure that it did not come apart:

*“The statistical neatness of the Grand Area will not cause it to function automatically simply because Germany controls most of Europe although the blockade and its consequences stimulate this development. The condition of "buying first from one another," on which it is based, would itself require a considerable degree of trade readjustment and raise certain problems of transportation. The Grand Area was defined on the basis of peacetime trade; the conditions of war change demand patterns and create hazards, such as the destruction of shipping and production capacity. Japan's expansionist policy continues to threaten the integration of the Grand Area. These problems may not be ignored; some have already been the subjects of study (see Appendix). Above all, it appears certain that the integration of the Grand Area requires a conscious program of broadly conceived measures for (1) knitting the parts of the area closer together economically and (2) securing the full use of the economic resources of the whole area” (E-B34, 1941, p. 5).*

In fact, there might be problems with the British in particular, who very likely would resist opening up their empire to American corporations, so it was critical to force the issue under the pressure of war:

*“The integration of the Grand Area is based on American-British collaboration. At the same time, America and British interests are neither identical nor entirely parallel. Not only will there be disagreements as to what policy is best, but also real clashes of interest which can be resolved only to the hurt of certain groups within one or the other country. In wartime the tendency is for such clashes of interest to be submerged and subordinated to the single goal of winning the war. At the peace and after it, they tend to re-emerge, sometimes more sharply than ever. With outside pressure of a common enemy removed, such conflicts of interest can easily destroy the whole program of continued international cooperation. One of the most important tasks of the Grand Area studies will be to detect present and prospective clashes of interest, define them so far as possible, and seek means of eliminating, alleviating, or compromising them” (E-B34, 1941, p. 5).*

Finally, there was an outline of proposed studies relating to the economic integration of the Grand Area. Those concerning "Financial Collaboration" and "Monetary and Exchange Problems" directly relate to the origins of the IMF. They show that at least some corporate internationalists with access to the White House and State Department were proposing a dramatic extension of the American economy into much of the world. The outline included financial collaboration, international financial institutions, stabilization of exchange rates, international anti-depression measures, and development programs (E-B34, 1941, p. 6)

I have quoted in detail from what I think is a rather amazing and comprehensive design for the American future because it reveals the framework within which government monetary planners worked. The blueprint is of further interest because it warns of the problems with Great Britain that were in fact to make the creation of the IMF very difficult. Merely generating a plan for an international exchange stabilization fund, as Viner (1942, p. 174) pointed out, was in fact a "comparatively easy" task, a comment that may give pause to those who emphasize the technical details that White dealt with in creating the IMF. Moreover, there also was a good chance that

such a plan would gain general acceptance in the world community because the expected differences of opinion did not "particularly follow national lines" or reflect "important and conscious conflicts of vested interest" (Viner, 1942, p. 173). Nonetheless, there were major problems in creating a plan that suited the British, and negotiations with them were to be highly complex and seemingly endless over a three-year period.

To understand the work of British and American planners, it is necessary to keep the British perspective in mind. Britain's economic and financial position had not only been greatly weakened by its war with the Nazis, which is obvious, but by its financial dealings with the United States as well. Due to the neutrality laws passed by Congress in 1935 at the insistence of isolationists, British purchases of war-related materials between 1939 and 1941 had to be on a cash-and-carry basis. This arrangement rather quickly drained British reserves of American dollars. As the pressure on Great Britain's finances increased, the American Treasury insisted that the British sell their assets in the United States to make their payments. While these asset sales made further immediate payments possible, they also meant that Great Britain would be less able to earn American dollars in the future.

American officials in the Treasury Department kept a sharp eye on the British gold supply as well. They wanted to be sure that the British were not hoarding gold before they tried to bring about changes in the neutrality laws. For example, when Morgenthau learned in December 1940, that the British had \$42 million in new gold waiting in Capetown, South Africa, he immediately recommended that Roosevelt ask for it. The gold was picked up a few weeks later with much fanfare. The British were deeply insulted by what they saw as a crass maneuver by a nation already in possession of most of the world's gold supply. The Americans seemed to be out to weaken the British Empire (Dobson, 1986, pp. 25-28). Then, in March 1941, with Great Britain nearing bankruptcy in terms of dollars and gold, Roosevelt pushed a Lend-Lease bill through Congress, which made it possible to provide unrestricted aid to the British in exchange for future repayments or "considerations." The bill gave the president the discretion to decide what the repayments or considerations would be, and this freedom was to become very important in negotiations concerning the nature and scope of the IMF.

However, Lend-Lease did not solve all of Great Britain's immediate problems. The American Treasury quickly insisted on restrictions on British commercial exports that were in competition with American exports. Ostensibly, these restrictions were demanded in order to maintain American public support for the Lend-Lease program; however, there was considerable suspicion in Great Britain that these restrictions also were meant to further diminish Britain's declining economic power (Dobson, 1986; Gardner, 1980, pp. 173-175). Whatever the intent, the restriction on its exports did keep Great Britain on a short financial tether.

British leaders also were very wary of American pronouncements in favor of free trade, which had been a staple of the State Department under Hull. There were two reasons for this wariness. First, the British were not at all sure that the Americans would accept free trade in practice. Second, free trade by itself was seen as a very antiquated and dangerous doctrine by a British government influenced by the experience of the Great Depression and Keynesian doctrines. Simply put, the British firmly believed that free trade without commitment to anti-depression fiscal, monetary, and social policies in the United States would drag the world economy into any future depression that began in the United States. They believed American policy failures had contributed to the abandonment of relatively free trade in the early 1930s, and they did not want to see those failures repeated at their expense.

Although British officials realized that many leaders in the State Department, Treasury Department, and CFR understood this point, they were not at all confident that the reactionaries, nationalists, and isolationists so prevalent among ultraconservatives in the corporate community and Congress would accept the New Deal and Keynesian policies necessary to safeguard an open world economy. Indeed, Keynesianism was openly hated by American ultraconservatives, who clung to classical laissez faire thinking, and even by conventional New Dealers such as Secretary of Treasury Morgenthau. In addition, numerous studies of Congressional voting patterns show that the conservative coalition, defined as a majority of Southern Democrats and Republicans voting together on a legislative proposal against the opposition of a majority of non-Southern Democrats, controlled Congress when it came to taxes, business regulation, and labor relations from 1939 onwards (e.g., Domhoff, 2013; Katznelson, 2013; Katznelson, Geiger, & Kryder, 1993; Shelley, 1983).

Given the antipathy Morgenthau and many members of Congress had toward Keynesian economics, it is ironic that Keynes himself was one of the chief British advisers and negotiators in relation to Lend-Lease repayments and a future international monetary stabilization fund. I say ironic because Keynes not only saw the large economic problems better than most officials, making him a brilliant adversary for the American negotiators, but he instinctively generated resistance in many key American leaders due to his polished and arrogant style.

In terms of the issues of concern in this article, Keynes first arrived in the United States in May 1941, to negotiate the details of the Lend-Lease agreement that had been passed by Congress two months before. It was right at the time when CFR leaders and officials in the State Department were thinking about how to gain British acceptance of the Grand Area plan. Anticipating that there would be British resistance to these ideas because they implied Great Britain's subordination to the United States, the American negotiators hit upon the idea of linking the Lend-Lease agreements with their plans for the postwar world. That is, the "consideration" they sought from the British in exchange for vast amounts of war materiel and other supplies was acceptance of the American plan.

The Lend-Lease negotiations were focused on the issue of lowering tariffs and removing other trade barriers, which meant in practice that the British Empire, protected by "imperial preferences," would be opened up to American trade and investment. But Keynes kept pointing out that Great Britain would have a balance of payments problem after the war, and that the Americans therefore would have to accept more imports and give loans to the British if they expected to increase trade with the British Empire. Furthermore, the acceptance of more imports might necessitate Keynesian policies in the United States to increase the level of activity in the domestic economy. Thus, any plan for international economic cooperation would have to include more than simple trade agreements. Keynes also was aware of the fact that there were important conservatives in London, in both the Treasury Department and the central bank, that would oppose American postwar plans because the plans might undermine the empire and hasten Britain's decline as a world power. Eckes (1975, p. 39) provides a graphic summary of the issues involved in the negotiations:

*"John Maynard Keynes, England's leading financial negotiator, realized that, without parallel arrangements to assure an expansionary world economy, to reconstruct war-debilitated nations, and to erase currency imbalances, Britain could not adjust to the cold shower of American competition. Thus, on one visit to Washington in 1941, Keynes bluntly dismissed the "lunatic proposals of Mr. Hull," and warned that without American financial assistance Britain might be compelled to select an autarkic course in the postwar period. Of course, more than economic*



*considerations shaped the British position. Advocates of imperial preference argued vigorously that nondiscrimination spelled the death of Britain's historic empire and England's decline as a world power."*

Not surprisingly, then, there was very little meeting of the minds during the spring and summer of 1941. The British knew the Americans would not cut off aid in the midst of the war. They also hoped that the United States eventually would come into the war on their side, and that the terms of Lend-Lease could be made less onerous for the British in that event. As for the Americans, they did not want to become more specific than acceptance of the general principles of the Grand Area strategy. This was partly because officials of the executive branch did not want to make promises until they were sure Congressional opinion had become more sympathetic to internationalism. However, it also involved a point I emphasized in the previous section. The State Department had very little planning capability at the time, to which it now can be added that the Treasury had not officially begun to develop any plans for monetary policy. Then, too, Roosevelt did not decide whether State, Treasury, or Vice President Henry Wallace's Economic Defense Board would take the lead in coordinating postwar planning until the United States entered the war.

It is in this context that planning for what came to be called the International Monetary Fund (Keynes acerbically pointed out that the "fund" was really a "bank") officially began in the fall of 1941. Most commentators on the origins of the IMF believe that the planning began independently in the United States and England, with White taking the lead for the Americans and Keynes for the British (e.g., Gardner, 1980, p. 71; van Dormael, 1978, Chapter 4). However, I found evidence in the Viner Papers, Hansen Papers, and the Morgenthau Diaries showing that the situation was more coordinated than some accounts suggest, with Hansen and Viner playing a mediating role between experts from the two countries and the federal government. For example, the Economic and Financial Group initiated a series of four off-the-record meetings with British economists on September 20, 1941, to discuss general issues of collaboration. The secretary of the Royal Institute of International Affairs, mentioned earlier as the British counterpart to the CFR, was also present. According to the summary of the discussion, a wide range of economic topics was covered in a general way ("Digests of Discussion," E-A20, September 20, 1941).

Shortly thereafter, Hansen traveled to London, where Keynes was drafting a plan to implement American proposals in a way that would be satisfactory to Great Britain. Despite anti-internationalist assertions by Keynes while in the United States a few months earlier, he realized that it would be very hard to resist the economic and political power of the Americans. He also knew that Britain's recovery would be slow and painful without American trade and loans. He therefore suggested methods for international currency stabilization that could lead to the liberalized expansion of international trade that the Americans sought. The essence of his plan was the establishment of a very large international currency exchange and credit-granting institution that could be drawn upon relatively easily by any country that was temporarily short of any given foreign currency due to trade imbalances (Skidelsky, 2000, Chapter 6).

Functioning on the principle of a friendly and trusting bank, the "international clearing union," as Keynes called the projected institution, would make it possible for countries to "overdraft" their accounts for a period of time so that expansionary trade could be continued. In effect, it was a bank that made temporary loans of foreign currencies from a fund that was based on no more than the promise of the member countries to provide the needed currencies when called for. Each country would provide the clearing union with a line of credit, but would not

have to provide the currency until it actually was needed. As will be seen, the Americans were very nervous about this plan. They were afraid that some countries would not provide the currency when it was asked for. Even more, they feared there would be an unlimited call for American currency with no assurance that the countries needing the loans were living within their means.

It was during this time that Hansen arrived on the scene in London to confer personally with Keynes and other British economists. Keynes's first major biographer, economist Roy F. Harrod (1951, p. 527-528), explained the visit as follows, noting that Hansen's "mandate" from the government was "obscure":

*"At this period there occurred a useful visit by Professor Alvin Hansen, the well-known economist, and Mr. [Luther] Gulick, a consultant of the National [Resources] Planning Board and expert on the TVA. Although sponsored by the State Department, the nature of their mandate was obscure. They advocated Anglo-American cooperation to prevent world depression, and proposed the establishment of an International Economic Board to advise collaborating governments with respect to internal policy designed to promote full employment, economic stability, and world trade. . . . They also advocated an International Resources Survey and an International Development Corporation, with a view to promoting wise development overseas."*

The British were somewhat surprised by these progressive proposals according to Harrod (1951, p. 528), who also recalled that the proposals were on a higher level of political sophistication than the simple Wilsonian trade doctrines of Hull: "These proposals were cordially welcomed; the doctrine seemed to belong to a different world of thought from that which took the elimination of discrimination in foreign trade to be the panacea for the world's ills."

Hansen wrote a two-page letter to Viner upon his return to the United States about his "numerous conferences" with British economists "now in government service" and with "a number of high officials in the Treasury and other branches of government, including some members of the Cabinet..." (Viner Papers: Hansen to Viner, Box 13, Folder 9, October 20, 1941). He said the discussions were "encouraging" and that there was interest in an international Reconstruction Finance Corporation "along the lines of the discussion at our own Council on Foreign Relations." He already had discussed the new proposals with Hull and Wallace, and would be talking with Morgenthau the next day. He closed with the hope that they could have a discussion of these matters at "a meeting of the Council on Foreign Relations November 1" (Viner Papers: Hansen to Viner, Box 13, Folder 9, October 20, 1941).

Viner replied enthusiastically in a letter of October 24 saying that he found Hansen's letter "interesting and encouraging," and thought they were on the "right path." He also suggested that Hansen be in touch with Riefler, who had been in the Economic and Financial Group from the outset and was now working with Vice President Wallace at the Economic Defense Board. He made this suggestion because Riefler "is working intensively along the same lines and has a very interesting draft of a specific Anglo-American post-war financing organization" (Viner Papers: Viner to Hansen, Box 13, Folder 9, October 24, 1941). Hansen replied on October 28 with news that he had a revised draft of his plan based on "numerous conversations." He reported that he had been unable to contact Riefler as yet. He then suggested that the next meeting of the council planning group might be the place for further discussions: "I see no reason why our Council on Foreign Relations, *in view of its confidential relations with the State Department*, might not have a full discussion of this draft, as well as of Riefler's proposals. Possibly you, Riefler, and I might have a special discussion of it at lunchtime on Saturday (Viner Papers: Hansen to Viner, Box 13, Folder 9, October 28 1941, *my italics*).

Unfortunately, this particular trail of paper ends at this point, a problem that will recur at other crucial junctures in the archival record because none of the key American economists was a compulsive record keeper. In this instance, however, the line of thought can be picked up to some degree in other documents. On November 28 1941, for example, the Economic and Financial Group summarized the proposals by Hansen and Riefler in a memorandum entitled "International Collaboration to Secure the Coordination of Stabilization Policies and to Stimulate Investment" (E-B44). The emphasis was once again placed on the need for expansionary domestic policies in order to make possible open or "multilateral" international trade. A few days later, Hansen was able to make this general point again through another avenue, the governmental-sponsored Canadian-American Committee that he co-chaired. On December 5, the committee sent the White House and State Department a proposal for an International Stabilization and Development Board that would make suggestions about how the United States, Great Britain, and Canada could coordinate their economies. However, none of the documents or resolutions discussed in this paragraph deals with the specific problem of monetary policy. As will be shown, Viner was carrying this issue in conjunction with White.

It was at this point that the Japanese attack on Pearl Harbor brought the United States into the war. Although American involvement focused official attention even more on day-to-day issues, it also led to decisions on postwar planning that had been delayed for over a year. Morgenthau consolidated Treasury responsibility for foreign economic planning in White's hands early in December. A week later, on Sunday morning, December 14, Morgenthau called White to ask him to begin work on a monetary stabilization fund. White summarized this call the next day in a memo for the files (Morgenthau Diaries: Treasury Department Order No. 43). Then, in late December Roosevelt gave the order putting State in charge of postwar planning and assigning a secondary role to Treasury and the Economic Defense Board.

I was unable to determine why Morgenthau decided to call White about monetary policy on that particular Sunday in mid-December. There are no hints in his detailed records for the two previous weeks, or in White's papers. On the basis of retrospective accounts by White's associates (Eckes, 1975, p. 46), there is some reason to believe that White actually had been working on monetary plans throughout the fall, and that Morgenthau's call only made official what had been going on unofficially. Such a possibility would not be surprising because White's longstanding involvement with monetary policy began with his work for Morgenthau and Viner on exchange stabilization in the mid-1930s (Blum, 1959, Chapter 4). Whatever the exact origins of Morgenthau's order, the more general issue is the possible influence of council planners on White's plan. As the Treasury Department's liaison with the State Department on postwar planning issues in the previous two years, White was well aware of the internationalist proposals being sent to the State Department by the council study groups (Notter, 1949). We also know from Harrod (1951, p. 539) that White had direct conversations about foreign economic issues with Hansen and from the Morgenthau Diaries that he "continually supported the fiscal proposals of Alvin Hansen" (Blum, 1970, p. 430).

However, Viner, who worked regularly as a consultant within the Treasury Department during this period, provided the most important intermediary between the War-Peace Study Groups, White, and Morgenthau. The Morgenthau Diaries reveal that he was present for general meetings at the Treasury on December 1, 2, 11, 12, 22, and 23. Moreover, there is documentary evidence in his reappointment letter of January 1, 1942, and subsequent memos by White and another department official, that he aided in the crafting of the original proposal for an International Monetary Fund. Given Viner's earlier relationship with White and his deep

involvement in the CFR's postwar planning, the documentary evidence concerning Viner's work with White at Treasury demonstrates the influence of highly regarded experts connected with major private interests outside the American government. True enough, there are class and state "structures," and there is a general ideological "atmosphere," but in addition there is also direct input from an outside expert deeply involved in a corporate-sponsored policy-planning network on a specific decision in a situation of potential conflict and great uncertainty. Given the volatility of the economic system and uncertainty as to how the executive and legislative branches might respond to crises, it is essential for the corporate community to have direct access to all parts of the government to be sure its interests will be protected; this point is sometimes ignored or minimized by those who are critical of the detailed type of network analysis, involving both individuals and institutions, that is presented in this article.

The first evidence of Viner's direct involvement in the creation of the IMF is his letter of appointment for 1942, which states that he will be paid from the "Exchange Stabilization Fund": *"January 1, 1942: Sir: You are hereby appointed Special Assistant and Consulting Expert in the Office of the Secretary, with compensation at the rate of nine thousand dollars per annum, payable from the appropriation "Exchange Stabilization Fund." In addition to your salary, you will be allowed five dollars per diem; in lieu of subsistence while on duty in Washington, D.C. Signed, Henry M. Morgenthau"* (Morgenthau Diaries, Book 483, p. 180). In 2013 dollars, Viner was receiving \$128,700 per year for his services, along with \$71 a day in expense money for the days he was in Washington.

In the first week of January, when the first plan seems to have been finalized, Viner was at the Treasury Department on the fifth, sixth, and seventh. On January 6 White asked Undersecretary of State Sumner Welles if he would be interested in introducing a resolution in favor of an "interallied" stabilization fund at the conference of American ministers in Rio de Janeiro later in the month. When Welles responded positively, White sent a memo to Morgenthau on January 8. It included the plan and reported that White had asked Viner to approve it:

*"In the event Mr. Welles decides at Rio to propose a resolution on the establishment of a Stabilization Fund, I have in mind submitting the appended draft for his consideration. This draft was prepared in this Division, and is a much shorter draft than the one I showed you before. I have asked Mr. Southard [a department employee] to go over it with the Legal Division and Mr. Viner, and after they have approved, to submit it to you for your tentative approval"* (Morgenthau Diaries, Book 483, p. 222).

One week later, on January 15, Southard sent a copy of the proposal to Undersecretary of Treasury Daniel Bell with the following preface, which mentions the role of Viner in creating the plan:

*"Mr. White discussed the proposal for such a Fund with the Secretary early in January and received the Secretary's approval of the idea in principle. The draft prepared by Mr. White grew out of several discussions within the Treasury which included Mr. Bernard Bernstein [a department employee] and Jacob Viner"* (Morgenthau Diaries, Book 486, p. 1).

On the same day as the Southard memo, White contacted Morgenthau from Rio, where White was assisting Welles at the Inter-American Conference. He asked permission for Welles to submit the proposal to the meeting. Before making a decision, Morgenthau called in Bernstein to brief him on the issue. Bernstein wrote the following memo to the file after the briefing. It is quoted here because it once again shows the major role played by Viner as an outside adviser to the Treasury Department:

*“I told him that there was one point which Jacob Viner thought should be cleared with him [Morgenthau] and that was whether the subject of this resolution should be cleared first with the British before it is presented down there, and if presented, whether it should be done by the British and Treasury representatives in Washington or by the President to Churchill”* (Morgenthau Diaries, Book 486, p. 4).

Morgenthau thought about the question and then decided to wait on introducing any resolution rather than bothering the president. Two days later, however, Welles himself wired Morgenthau asking him to reconsider. Welles argued that he did not think it was necessary to check with the British. He also enclosed a simplified statement of the possible resolution. On January 19, Morgenthau telephoned White, asked him if Welles felt strongly about the issue, and then gave the go-ahead when White replied in the affirmative (Morgenthau Diaries, Book 486, pp. 179, 208).

There are other reasons to believe that Morgenthau relied heavily on and fully trusted Viner. On January 21, for example, Morgenthau asked Viner and Lauchlin Currie, the White House economist who kept track of the War-Peace Studies for the President, to suggest ways to raise money for the war in all 12 Federal Reserve Districts. Even more intriguing is the following departmental conversation about Viner, which appears in the Morgenthau Diaries for February 1. (The so-called Morgenthau "diaries" are in reality the transcriptions of his secret telephone tap and office tape recorder.) In this instance the tape recorder captured a freewheeling discussion that involved (1) a possible new employee and (2) a loan to China. Just when it comes to the point at which we might learn something about White's personal feelings toward Viner, the tape recorder fails. However, I believe enough is said to suggest that White had personal reasons to play down Viner's role in the department:

*“Morgenthau: Harry [i.e., White], get Viner to help you. White: Mr. Secretary, anything at all that is even in Mr. Viner's field, I always ask him to help me. I am always glad of his help.*

*Morgenthau: Well, that hasn't always been so. White: That has always been true except where we have questions where I know we are opposed on domestic policy and in which I didn't think it would be a help but a hindrance, as far as I was concerned, but on foreign policy. Morgenthau: Well... White: Or monetary matters. Bell: It is always better to have Jake in after something is prepared, because he will argue for two hours before he gets started. White: He is helpful and I am always glad to have him. Bell: It is very helpful to get his criticism on documents that have been prepared.*

*“White: But again, thinking of somebody for Haas' division, you know, Viner is in a little different position than he would be if Haas had somebody in his division. There are men who might come in the same capacity as Viner, but who might or might not come in a... Morgenthau: Well, the man I had in mind would be in the same relation to the rest of us as Viner is. Now, if you ask me who Viner is responsible to, I don't know. He has never raised the question. He is here to help all of us. Bernstein: Well, he is responsible to you, but we all use him. Morgenthau: Including Harry. White: Very definitely, and I am very glad to.*

*Bernstein: He really sits in on most of our conferences. Foley [another department official]: He has been in on all this China thing. White: Whenever he in the Treasury he is always in. Foley: He was in Harry's office on all of this (the loan to China).*

*“Morgenthau: I believe Harry. I don't know why Harry is suddenly sensitive on that one. White: Because three times in the last week you have reminded me to get him in. I always do. I don't know whether that was an indication that you think I don't. Morgenthau: Well, sometime when we are alone I will tell you why. White: O.K. I will try to give you some names of those [possible*

*employees] I hear about and I will ask other men about Hardy. Maybe I got a peculiar notion about him (Hardy). Morgenthau: Well, you men needn't wait. I will just tell Harry now and get it off my chest, that is all."* And there the dialogue abruptly ends (Morgenthau Diaries, Book 491, p. 72).

The 12-page plan drawn up by White and Viner in either late December 1941 or early January 1942 can be compared with the Keynes plan at this point as background for the later role of Hansen and Viner. Briefly, the plan called for a fund of \$5 billion, considerably less than what Keynes envisioned. The fund would be "subscribed," unlike Keynes's plan, meaning that each country would put in a certain amount of its currency and gold beforehand so that the fund would have currencies to lend and exchange. The size of the subscription would depend on the size, power, and trade volume of the country. The voting arrangements on policy issues were structured in such a way that the United States would have 60 percent of the votes as long as its friendly Latin American neighbors voted with it (Eckes, 1975, p. 49).

Generally speaking, the differences between the American and British plans reflected the economic situations of the two countries. Great Britain, as a debtor nation, wanted an institution that could make currency loans without putting heavy restrictions on the borrowing countries. As a country without much gold, it did not want gold to have the large role proposed for it by the Americans. Britain also wanted to be sure that creditor nations such as the United States would be forced to loan out their currency rather than holding on to it in times of economic downturn or trade imbalance. The United States, as a creditor nation with a huge gold supply, wanted the fund to be able to insure that borrowing countries were not headed for financial disaster or using the currency loans as disguised investment loans. It wanted a role for its gold as a restraint on over borrowing and as an assurance to conservative bankers and members of Congress. In that sense, the United States wanted a financial policeman (Skidelsky, 2000, p. 467).

The negotiations over the two plans proved to be long and difficult, but the British ultimately had to concede to the Americans on almost every basic point (Skidelsky, 2000, Chapters 9 and 10). British acquiescence became easier when the Americans agreed to a mechanism by which other countries would be assured that the Americans could not limit the supply of their currency without suffering some penalty. Despite the American dominance, however, Keynes was not totally disappointed by the outcome because he thought the American plan was far better than nothing at all, and far more than he had expected from the American government. In a confidential letter to fellow British negotiators of April 19, 1943, before the most intense debates had taken place, Keynes concluded that the White plan "represents a big advance," but added that "it is a long time too soon to even breathe a suggestion of compromise" (van Dormael, 1978, p. 75).

The draft IMF plan of early 1942 was finalized in late April. A clean draft was typed for presentation to Morgenthau on May 8, but was backdated to March for some unknown reason (van Dormael, 1978, p. 45). Morgenthau quickly accepted the final draft, and then strategized with White about the next step to take. Both hoped to move quickly, and White wanted to avoid the State Department by sending the plan directly to the White House. Morgenthau compromised on that suggestion by sending the plan to the president and the State Department at the same time, but Roosevelt put a stop to any unilateral moves by sending his copy to Hull and telling him to work on the project with the Department of Treasury. At the same time, Roosevelt lodged responsibility for carrying through the project with the Treasury Department as well. In actuality, Roosevelt's decision reflected arrangements for interdepartmental cooperation on monetary issues that went back to early 1940, which respected the large role on foreign economic issues

that had developed for the Treasury Department in the 1930s (Blum, 1967; Notter, 1949, Chapter 2).

At this point an interdepartmental committee was created to discuss White's proposal and make alterations if necessary. White was named chairman. The main conflicts within the committee were between the State and Treasury departments, but they were not over substantive matters. Rather, the main issues were the timetable and format for international discussions (Eckes, 1975, pp. 60-62). The State Department wanted to move slowly until other international economic issues with Britain were resolved and public opinion and Congress were sure to be favorable. The department also wanted to honor Britain's insistence that it have agreement with the United States before other nations were consulted. The Treasury Department, on the other hand, wanted to move more rapidly and consult widely with other nations. It was not nearly as concerned with British sensibilities as was the State Department, a fact understood by the British (Dobson, 1986).

Morgenthau had a tendency to interpret the State Department's concern as a dislike for the plan, but it seems more likely that Hull, and then Roosevelt, decided on a more cautious course for political reasons: "Hull seemed genuinely convinced that the administration must prepare the public for the United States' global responsibilities, and he was certain that premature disclosure would only polarize the public, damage the Democratic Party, and shatter the prospects for international cooperation" (Eckes, 1975, p. 63).

Although Hull resisted high-level and visible negotiations on monetary stabilization issues, he finally agreed in July 1942 to preliminary talks if they were confined to experts from a few major nations. He did so because the two officials in his own department involved in monetary planning, former corporate lawyers Dean Acheson and A. A. Berle, Jr., argued that further delay might weaken British supporters of international economic cooperation and increase the possibility that other countries would turn to unilateral decisions to solve their economic problems (Eckes, 1975, p. 63).

In addition to preliminary discussions with a few countries, the Americans continued to argue among themselves about the relative merits of what came to be called the White Plan and the Keynes Plan. But for all the disagreements over the two plans, they were in fact more similar than they were different. This fact became clear in a lengthy discussion of them in the CFR's Economic and Financial Group on March 6 1943. The discussion also is of interest because it reveals differences between Viner and Hansen, with Viner favoring the fund approach and Hansen favoring Keynes' overdraft proposal. However, Viner won the day by pointing out that many countries do not recognize a line of credit as a real obligation. He therefore argued that it was better to have the money (and gold) beforehand:

*"Mr. Viner thought that the memorandum [by Hansen] overemphasized the case in favor of the overdraft method of stabilization as opposed to the fund arrangement. Both require the same basic commitment to be made in the first instance, that a country will provide a certain amount of money--whether as a direct contribution to the Fund or as a line of credit for the Clearing Union--for use in connection with exchange stabilization. Under the Fund plan, the money is made available from the start and there is never any question that the Fund has access to it; under the overdraft plan, however, subsequent legal action may be necessary actually to make available money that has been nominally put aside for this purpose. If a Central Bank claimed it had no free assets when the Clearing Union wished to draw on the line of credit, no money might be forthcoming unless a priority had been legally arranged for. A country wishing to avoid its*

*obligations might find it easier to cancel a line of credit than to seize a deposit of the International Fund*" ("Digests of Discussions," E-A24, 1943, p. 4).

By the end of the discussion, Hansen said "the difference between the two stabilization plans was less than he had believed" (E-A24, 1943, p. 5). He therefore made changes in the memorandum on the two plans that he was preparing for circulation in the White House and State Department, and from that point on he worked to improve the fund concept and to convince the British to accept it. Viner clearly had the upper hand on the issue in council discussions, and probably at the Treasury as well. More generally, this discussion is an excellent example of the kind of differences that are analyzed in depth and ironed out within the settings provided by the major policy-discussion groups.

Hansen and Viner continued to mediate between Keynes and White in the spring and summer of 1943, and Keynes and Viner corresponded (Gardner, 1980, p. 86, footnote 4; Skidelsky, 2000, pp. 303-305, 312-313; Viner Papers: Keynes Correspondence, Box 16, Folder 21). After his discussions with Viner, Hansen sent Keynes an advanced copy of a revised memorandum via the auspices of a British economist, Redvers Opie, who served as his country's liaison with the American Treasury, and especially with White. Opie replied with a lengthy letter marked "personal and private" to Hansen on May 19 regarding Keynes' reactions. It shows that Hansen was trying to shape the American proposal to deal with Keynes' concerns, and that he was being kept abreast of Keynes' latest thoughts. It also reveals that parts of the negotiations were considered "difficult points" that Opie could not "deal with in writing." This resort to personal conversations makes it harder to reconstruct the decisional process, but the thrust of the negotiations is nonetheless quite clear, as this revealing letter from Opie to Hansen shows:

*"Just before I left for the Food Conference I received a letter from Keynes thanking me and you for sending him an advance copy of your memorandum on "International Adjustment of Exchange Rates." As you expected Keynes was very glad that you stressed the need for getting creditor countries to share responsibility for making adjustments to restore international equilibrium. There are one or two points arising out of Keynes' letter to me that I should like to take up with you orally on the first opportunity but, since that is unlikely to be until after June 3, perhaps I had better raise one or two points now. The first is interesting in the light of your revised figure of \$12 billion for the resources of the Fund. Keynes suggested that it would be easier to reach acceptable quotas if the total were raised to \$15 billion leaving the United States at \$4 billion, on the assumption that the whole world has to be covered.*

*"The second point," Opie continued, "refers to the limitation on the obligation of creditor countries. Keynes surmises that a maximum obligation will have to be accepted and he believes that \$4 billion for the United States should be reasonably adequate. The real problem which then arises is the same in the Stabilisation Fund as in the Clearing Union, namely what to do when a currency becomes scarce. We have the same difficulty in understanding what the processes would be in the Stabilisation Fund solution. I should like very much to discuss this with you off the record when I return. Thirdly, Keynes agrees that the source of funds for long-term foreign investment should be a different institution and also that for the Commodity Control the case for separation for the reasons which you give is not equally clear. I should be most grateful if you could treat this letter as a personal exchange between you and me and I look forward to discussing one or two more difficult points which I cannot deal with in writing"* (Hansen Papers, Opie to Hansen, May 19 1943, HUGFP 3.16, Box 1, Correspondence 1943).

A technical committee formed in May 1943, honed the final American plan. Among the 24 experts from five different departments and agencies were two members of the council's



Economic and Financial Group, Benjamin V. Cohen, representing the White House, and Hansen, one of the representatives from the Federal Reserve Board. As might be expected by now, it was Hansen and the Federal Reserve delegation that raised the most serious questions. Hansen continued to push to make the plan more acceptable to Keynes, and the other Federal Reserve participants raised concerns relating to the amount of gold each country had to contribute and the way it would be utilized. The thrust of these recommendations can be found in several letters and outlines, but the main points and their political implications are best stated in a personal letter from Hansen to White on June 11:

*“Since we had our conference with you, the staff at the Federal Reserve has again gone over the whole matter and Goldenweiser is sending you a summary statement of the main points. I am sending you this personal note since I can't come Monday so that you will know my own point of view. It seems to me that our suggestions can quite easily be incorporated into your plan. You have frequently stressed the importance of having a plan that could get the approval of Congress. In my judgment, the modifications which we have suggested would help very much to get this approval, for the following reasons:*

- 1. The American contribution would not be increased beyond the \$2 billion you have suggested.*
- 2. The contribution of other countries would be very greatly increased to \$13 billion.*
- 3. The Fund would be stronger in its gold holdings under our proposal. This, I think, would be pleasing to Congress.*
- 4. The American voting power while small (rightly so with our relatively small contribution) would rapidly grow if we purchased large amounts of gold from the Fund.*
- 5. The plan looks toward future limitation by the Fund of new gold production. This meets one type of opposition to gold purchases.*

*Our proposal suggests that decision can be made by majority vote. While this may not be pleasing to many Congressmen, I think they can be sold on our suggestion since if in fact we buy a large amount of gold, our voting power would rapidly rise. Thus, the ultimate control by the United States would become very great if in fact we were called upon to supply a large amount of the credit. It seems to me that these suggestions would really greatly strengthen your plan and I hope that you will give them, as I am sure you will, earnest consideration. I regret that I cannot be at your meeting on Monday”* (Hansen Papers: Hansen to White, June 11 1943, HUGFP 3.16, Box, 1, Correspondence 1943).

The general similarity in outlook between Hansen and White did not mean that White gracefully accepted Hansen's suggestions, despite his greater prestige. In fact, White became annoyed with Hansen and the Federal Reserve experts when they raised their fears about the consequences of unlimited American gold purchases during a three-day conference later in June with monetary specialists from 19 countries. As Eckes (1975, p. 95) tells the story:

*“When Alvin Hansen openly questioned the wisdom of an American commitment to accept all gold mined in the world, White lost his patience. Such theoretical ideas sound good at an economic conference, he retorted, but that group does not determine government policy. To allay fears that Washington might do as Hansen proposed--restrict its gold purchases--White vigorously reaffirmed the Treasury's longstanding promise to buy and sell gold at \$35 per ounce. From White's standpoint this commitment to interconvertibility was imperative if others were to have confidence in the postwar system.”*

Still, White made several of the changes suggested by Hansen, the Federal Reserve, and experts from other nations. For example the size of the fund was increased to \$8 billion, the amount of gold in each country's quota was increased to 50 percent, and countries were given

more flexibility in adjusting their exchange rates during the first three years of the fund's operation (Eckes, 1975, pp. 95-96; van Dormael, 1978, p. 86).

The new draft became the basis for formal technical discussions between the United States and Great Britain in September 1943. With both countries now eager for agreement for their separate political reasons, the discussions moved along very easily compared to the past. Keynes abandoned his plan for a clearing union based on an overdraft principle, asking in return for a fund of \$10 billion, not \$8 billion, and agreement that countries would not be deprived of their flexibility in altering their exchange rates. Although White and Keynes continued to argue and compromise for three weeks over technical issues, it was understood once the clearing-union concept was dropped by the British that there were no differences that could not be resolved (Eckes, 1975, pp. 97-98).

The stage was now set for a meeting of 44 nations in Bretton Woods, New Hampshire. In terms of the international harmony and cooperation the meeting symbolized, the Bretton Woods Conference was the historic occasion it is usually said to be. It also provided the opportunity to bring congressional leaders of both parties and pressure-group leaders into the process. All such people who were present at the conference became enthusiastic supporters of the outcome, including Republican Senator Charles Tobey of New Hampshire, who had been feared as a potential isolationist opponent. Another positive outcome of the meeting was the enormous media coverage for the idea of international monetary agreements, which was seen as the opening round in shaping elite public opinion in favor of the agreement.

In terms of substance, however, very little was changed in the draft proposal for the IMF that had been agreed to by the American and British negotiators (Gardner, 1980, p. 110). Most of the arguments among nations concerned the relative size of their contributions to the fund, with countries lobbying for larger contributions than their rivals and neighbors for two reasons. First, they wanted to look like greater powers in the eyes of their own citizens and other countries than they in fact were. Second, the larger a nation's contribution, the more it could draw upon the fund for the currencies of other countries.

In addition to ratifying the plan for the IMF, the Bretton Woods Conference also agreed to plans for the International Bank for Reconstruction and Development, known as the World Bank. Plans for the bank had been discussed in both the Economic and Financial Group and the Treasury Department from 1941 onwards. However, they had been put to the side during the disputes over the exchange stabilization fund because the bank was relatively noncontroversial in the eyes of government officials and American bankers. Originally, there were aspects of White's suggestions for the bank that were highly liberal and controversial. But these aspects were removed in informal discussions within the government at a fairly early stage, as explained in a very detailed history of the bank by Robert W. Oliver (1975, pp. 110-125, 138-144). Keynes and other European experts wrote the plan for the bank endorsed at Bretton Woods on the cruise to the United States for the conference, which turned out to be very similar to a moderate plan drafted by White and sent to Keynes. It was little more than a fund for guaranteeing foreign investments, and there was no opposition to it in Congress even from those who vigorously opposed the IMF (Eckes, 1975, p. 132).

The final hurdle facing the Bretton Woods agreements was approval by a majority in the House and Senate. The State Department fully supported the plan and worked closely with the Treasury to win its acceptance (Eckes, 1975; Gardner, 1980; Oliver, 1975; van Dormael, 1978). Taking no chances, officials in the Treasury and State made an all-out effort to spread their message through speeches, endorsements, and favorable newspaper and magazine articles. Most

of those in the general public who knew anything about the plan were positive, but only 23 percent of the respondents in one poll "could even relate Bretton Woods to world affairs" (Eckes, 1975, p. 196). As is so often the case, the battle would be fought out among highly interested partisans in the "attentive public" and Congress.

There was widespread business and agricultural support for the IMF and World Bank. The ultraconservative American Farm Bureau Federation testified in favor of it, and a Business and Industry Committee for Bretton Woods was formed that included officers from such major corporations as General Mills, American President Lines, Bristol-Myers, and Hilton Hotels (Paterson, 1973, p. 151, footnote 15). Significantly, the support committee included two prominent leaders of the ultraconservative National Association of Manufacturers.

The main opposition to the plan came from the banking community, especially from big banks in New York. It needs to be stressed that this opposition was not anti-internationalist. It was based first of all in a desire to maintain the large influence on monetary policy that traditionally had been enjoyed by large banks, and secondly on a fear that overly liberal currency policies might lead to postwar inflation (Eckes, 1975, p. 176). Working through the American Bankers Association and the Federal Reserve Bank of New York, the bankers' alternative was an approach based on British-American collaboration in currency stabilization. Called the "key currency" approach, it would first stabilize monetary relations between the United States and Great Britain, partly through a large loan to the British, and then build out to other nations. An international organization would come later if at all (Eckes, 1975, pp. 88-89). Neither the Canadian nor the British government liked the plan, which reinforced the opposition of American officials and their advisers to it (Eckes, 1975, pp. 176-177; Williams, 1944, p. 234).

The author of this alternative plan was economist John H. Williams, vice president of the New York Federal Reserve Bank and dean of the Harvard Graduate School of Public Administration. He also had been a member of the Economic and Financial Group from February through November of 1940. Like Hansen, he recognized that the success of any monetary plan was dependent on avoiding depression in major countries. His ideas were discussed within the Economic and Financial Group of the War-Peace Studies and published in *Foreign Affairs* (1943, 1944). Clearly, then, there were differences over the IMF among members of the Council on Foreign Relations, with Williams and major commercial bankers fighting a proposal that had been shaped and supported by the War-Peace Study Groups.

The board of the Federal Reserve Bank of New York urged the key currency plan on the board of governors of the Federal Reserve in Washington, but the Washington board rejected its pleas in favor of the White Plan. Revealing once again the degree to which this battle was within the in-group, Hansen played a major role as an adviser to the board of governors in defeating Williams' plan:

*"Consultant Alvin Hansen, who was instrumental in shaping the Federal Reserve position on this issue, asserted that, if Bretton Woods failed, there was little hope for supplementary economic agreements on investments, commodities, and commercial policy. And, without a network of international ties, parallel political agreements designed to assure future peace would surely fail. 'Having become internationalists on political lines,' Hansen claimed, 'there is the gravest danger that the United States will remain isolationist on economic lines.' Unless the United States provided the leadership and demonstrated its commitment to permanent international arrangements, 'nationalistic policies tending toward economic isolation are almost certain to prevail. Economic nationalism and isolationism, rival economic blocks, and international friction will likely be intensified"* (Eckes, 1975, p. 119).

Moreover, Williams and the New York bankers did not speak for all American bankers. For example, Edward Brown, president of the First National Bank of Chicago, described by Keynes as “the star performer amongst the American delegation,” with “a complete intellectual understanding,” joined the aforementioned Business and Industry for Bretton Woods Committee (Paterson, 1973, pp. 150-151; Skidelsky, 2000, p. 356). In addition, Brown claimed that many other bankers throughout the country agreed with him (van Dormael, 1978, p. 254). Earle Cocke, an Atlanta banker, wrote of his approval of the agreements because the IMF would increase export sales of southern cotton, tobacco, and peanuts (Eckes, 1975, p. 170). Since Southern Democrats were great believers in free trade until the mid-1950s, when they suddenly became more protectionist because textile manufacturing was by then located in the South, they needed little prompting from Cocke.

Although the New York bankers were relatively isolated within the corporate community in their opposition to the Bretton Woods agreements, and were seen as engaging in a special-interest kind of pleading by other corporate leaders, they nonetheless were an important factor in the legislative struggle because they gave great moral support to the isolationist Republicans on the House Banking and Currency Committee. In particular, they had a close relationship with Congressman Charles Dewey of Illinois, the main isolationist spokesperson. Until two weeks before the final vote, it looked as if Dewey had organized a majority on the committee to block the plan (Eckes, 1975, pp. 192-194).

The temporary coalition between internationalist New York bankers and isolationist House Republicans was held together in good measure by the claim that the IMF would be wrongly used by needy countries to provide themselves with short-term reconstruction and transition loans under the excuse of monetary adjustments. The answer to this argument came in a “Hegelian compromise intended to satisfy both the government and the bankers” (Eckes, 1975, p. 191). Its sponsor was the CED, the new organization of big-business moderates discussed briefly in the previous section. Its stated goal was to plan for the transition to a postwar economy in a cooperative way in conjunction with the government and other groups, but its unstated goal was to minimize government involvement in the economy (Eakins, 1966). In 1943 it hired Viner, Upgren, and John H. Williams to help fellow economist Calvin B. Hoover with a major study of international policy, the conclusion of which was the need to develop mechanisms to avoid depressions and advance free trade (Whitham, 2010a, 2010b). Its members and expert advisers were similar in perspective to leaders of the Council on Foreign Relations. In the postwar years the CED became the domestic parallel of the council, sharing many members with its older counterpart. It also took the lead in advocating the tariff agreements and other legislation that set the stage for the development of a globalizing economy by the 1970s (Collins, 1981; Domhoff, 2013).

The compromise fashioned within the CED suggested that any possibility of the fund being used wrongly for short-term loans could be dealt with by authorizing the proposed World Bank to make short-term stabilization loans as well as long-term loans for reconstruction and development:

*“With the bank taking a more active role in the abnormal postwar period, the fund, designed primarily to cushion short-term fluctuations in an orderly world where international transactions tended to balance, would not have to assume the burden of financing unstable conditions. According to the CED analysis, if the bank engaged in stabilization lending, the fund would not misuse its resources and become frozen with unwanted currencies, as the bankers feared”* (Eckes, 1975, p. 191).

This proposal, along with the addition of a high-level government advisory committee to advise American appointees to the fund and bank on how to vote, satisfied the bankers. Some observers argued at the time that the Hegelian compromise was largely symbolic, giving the bankers a way to save face and accept the inevitable (Eckes, 1975, p. 192). However, the important point is that corporate supporters of the fund had found a way to assuage banker opposition. This capitulation by the bankers, along with the ascendancy of Harry S. Truman to the presidency after Roosevelt's death, led to a "remarkable turnaround" on the House Banking and Currency Committee; the majority that had opposed the bill was now reduced to three isolationist "irreconcilables" from the Midwest (Eckes, 1975, p. 197). The bill authorizing the president to accept membership in the IMF and the World Bank sailed through both the House and Senate by wide margins. It reflected the Americans' "desire for an updated gold standard as a means of liberalizing trade" and "to concentrate financial power in Washington" (Skidelsky, 2000, p. 357).

There was one more battle to be fought by the corporate community once the fund and bank were legislated. It was with the British at a conference of all member nations at Savannah, Georgia, during March 1946. By this point the lead negotiator on the American side was William L. Clayton, the Assistant Secretary of State for Economic Affairs since late 1944, and a formidable figure in his own right as a co-owner of Anderson, Clayton, and Company, the largest cotton trading company in the country, and a founding trustee of the CED. In addition, he was a member of a new Council on Foreign Relations study group set up in November 1945, to "collaborate" with the State Department on studies of American foreign economic policy (Viner Papers: Winfield Riefler to Jacob Viner, November 2, 1945, Box 22, Folder 12). With Clayton leading the way as a firm believer in the CFR view that a hard bargain had to be driven with the British to open up their empire to American corporations, Keynes and his colleagues lost on the location of the two institutions and on the degree to which political overseers would hedge in experts. By the end of the conference the fund and the bank were clearly dominated by the American government and American bankers. Keynes left the conference disappointed by the American's high-handedness (Skidelsky, 2000, pp. 464-468).

American leaders were indeed less generous in their sharing of power than either White or hired CFR experts had envisioned. Still, as Hansen later wrote, "No one familiar with the political realities of the time is likely to argue that a more ambitious scheme could have been realized" (Eckes, 1975, p. 79, quoting Hansen, 1965, p. 177; Hansen, 1965). In that sense, the final outcome demonstrates the great power of ultraconservative corporate leaders and bankers in Congress through the conservative coalition. But the very existence of international monetary and redevelopment organizations that would play the role planned for them by the CFR demonstrates the even greater power of the corporate moderates in shaping the larger picture. At both levels, the general and the specific, it was corporate leaders that had the real power, not the experts the corporate moderates employed or the members of Congress.

And yet, after all this back and forth, the IMF did not come into its own until the 1950s due to the fact that it was not designed to handle the transition to peacetime. In particular, it was understood by the corporate moderates that the United States would have to make a large loan to Great Britain. Even with this understanding, the planners went wrong in underestimating the devastation to the British economy and the time that would be needed to reconstruct it. In addition, the Americans linked the granting of the loan to Great Britain's ratification of its participation in the IMF (Gardner, 1980, pp. 191, 196-197, and Chapter 11; van Dormael, 1978, pp. 274-275).

## THE GRAND AREA AND THE VIETNAM WAR

The plans developed between 1940 and 1944 to create a postwar Grand Area and an international monetary regime within which the United States economy could reach its full potential also provided the impetus that eventually led to the Vietnam War. Recalling that the plan for the Grand Area was being developed in 1940, I begin this discussion of Vietnam with the fact that members from all council planning groups attended a general meeting to discuss the Grand Area on December 14 1940, still a full year before American entry into the war. The conclusions from the meeting were considered so pressing in terms of American interests in Asia that they were embodied in a memorandum dated January 15 1941, under the title "American Far Eastern Policy." Using one quote from within this policy report, Shoup (1974, p. 137) summarizes the new perspective on the American national interest in Asia as follows, and in the process demonstrates the strategic factors that combined with economic issues in shaping postwar policies toward Southeast Asia:

*"The main interests of the United States in Southeast Asia were dual in nature. The first was purely economic. The memorandum stated that the 'Philippine Islands, the Dutch East Indies, and British Malaya are prime sources of raw material very important to the United States in war and peace; control of these lands by a potentially hostile power would greatly limit our freedom of action.'"*

The second CFR concern was a strategic one that had political, economic, and psychological aspects. A Japanese takeover of Southeast Asia would impair the British war effort against Hitler, threatening sources of supply and weakening the whole British position in Asia. It was feared that many people might view a Japanese takeover in that region as the beginning of the disintegration of the British Empire. In addition, there was concern that Australia and New Zealand might decide to focus on home defense (Shoup, 1974, p. 137). The report therefore suggested that the United States should take the initiative by (1) giving all possible aid to China in its war with Japanese invaders, (2) building up the defenses of countries in Southeast Asia, and (3) cutting off American exports to Japan of such materials as steel armor, machine tools, copper and zinc under "the excuse of our own defense needs" ("American Far Eastern Policy," E-B26, January 15, 1941, p. 3).

If we keep in mind, then, that Southeast Asia was considered essential to the Grand Area from the middle of 1940, and that council planners were prepared by early 1941 to advocate confrontational tactics to keep Japan out of that area, then we can begin to appreciate the considerable continuity that is found on the importance of Vietnam in the postwar reports and books of the council, and in the official position papers of the National Security Council created in 1947.

But it is also true, as all sources stress, that the Cold War and the resultant containment policy, along with a fear of appearing soft on communism in the eyes of voters, came to be important in the thinking of postwar government officials. However, only the specific enemy had changed, from the Germans and Japanese to the Soviet Union and China, not the policy. The primary concerns remained, first, healthy Japanese and British economies that could function in harmony with the American economy and, second, the ability to limit the power of nations that threatened this corporate-based conception of American foreign economic interests. Since this definition of the national interest in terms of establishing and defending the Grand Area preceded the advent of the Soviet and Chinese threat, the importance attached to Vietnam cannot be

attributed solely to a Lockean dislike of communism or a fear of a USSR-China bloc that did not develop until 1949.

All this said, it is still the case that the step-by-step process that led to the Vietnam War was not inevitable and foreordained by events in the 1940s or even the early 1960s. The American leaders always "had real choices about which way to go," and those choices were "evident not only in retrospect but also at the time;" even so "the policy always moved in the direction of deeper U.S. involvement," concludes the preeminent historian of the Vietnam War, Fredrik Logevall (2012, p. 710). Furthermore, the world economy and power relations among nations kept changing throughout the decades, as did the American power wielders' conception of their interests.

Based on the Economic and Financial Group's call for the inclusion of Southeast Asia in the Grand Area in 1940, the road to the Vietnam War began in the deliberations of the War-Peace Studies' Territorial Group, which first discussed postwar political arrangements for Southeast Asia on March 18, May 20, and July 6, 1942. There were three main CFR members that figured prominently in these discussions and had later involvement in government planning through lobbying or formal appointments of one kind or another. Isaiah Bowman, the geographer mentioned earlier as the president of Johns Hopkins University, was the leader of the Territorial Group. Hamilton Fish Armstrong, mentioned earlier as one of the leaders of the War-Peace Studies and as the editor of *Foreign Affairs*, was a member of the Territorial Group as well as the chair of the Peace Aims Group. Finally, Rupert Emerson, a Harvard political scientist who was an expert on Southeast Asia, with a special focus on the rise of nationalism in the area, was a member of the Territorial Group.

As the "Digests of Discussions" for the Territorial Group for March 18, May 20, and July 6, 1942 make clear, the question of freedom for the native peoples of Southeast Asia was constantly balanced with the need to secure American interests. In the context of anticipating what China might want in Indochina, Bowman drew some conclusions about power that seem to reflect the bottom line for later American strategizing about the area:

*"The course of the discussion led Mr. Bowman to observe that a general idealized scheme, as, for example, of complete Asiatic freedom, sometimes runs counter to proposals which were more practical. He was not opposed to the aspirations of the Chinese, but he did not think we could proceed from victory to the ideal, but must go from victory to that security which is a prime condition for the realization of the ideal. Security must take first precedence. It is, in the first instance, a matter of power—power exercised from critical points. The problem is how to make the exercise of that power international in character to such an extent that it will avoid conventional forms of imperialism (My emphasis—GWD). The eventual question will be how to provide for a later period of genuine international collaboration on a wider basis. All of the ideal principles of the Atlantic Charter, for instance, will be empty words without a prior guarantee of security through power. We should come out and say this openly and frankly. At the same time, we can point to our Latin American good neighbor policy of the last decade as proof of our contention that the possession of overwhelming power need not result in that abuse of power characteristic of imperialism"* ("Digests of Discussions," T-A25, 1942, p. 9).

American decision makers never came out and said anything like this openly and frankly, as Bowman suggested they should, but his comments seem to reflect the mindset of the American foreign-policy establishment at that time. The issue was power, and the United States had preponderant power, as Leffler (1992) convincingly argues in his account of the rise of the United States in the 1940s. It is within that context that the problem was to "avoid conventional

forms of imperialism” and to point to Latin America and the good neighbor policy as evidence that the United States would not abuse its new imperial power.

Bowman, Armstrong, and Emerson also played central roles in a detailed study of official governmental postwar planning for Southeast Asia by historian Gary Hess (1987). Bowman chaired the State Department's Subcommittee on Territorial Problems, an example of the kind of direct connection that existed between the War-Peace Studies and the government. In addition, Armstrong was a member of this State Department subcommittee. Bowman and Armstrong also served on the department's Subcommittee on Political Problems, within which "the most extensive discussion and significant recommendations " concerning Southeast Asia took place in 1943, well after the original discussions at the Territorial Group of the War-Peace Studies (Hess, 1987,p. 62).

Hess reports that the State Department's Subcommittee on Territorial Problems, chaired by Bowman, and including Armstrong and U.S. Steel's Myron Taylor among its members, gave early attention to colonialism in Southeast Asia. However, he further writes that "the most extensive discussion and the significant recommendations emerged later from the department's Subcommittee on Political Problems," a subcommittee chaired by Welles, which included Armstrong, Bowman, and Taylor among its nine members. In fact, the membership of the two government subcommittees overlapped almost entirely, except that Welles and one other person were not on the Territorial Subcommittee (Hess, 1987, p. 62).

At the outset, both subcommittees hoped to push the European colonial powers into a worldwide anti-colonial policy based on the principles of the Atlantic Charter. As the idea crystallized in the Subcommittee on Political Problems in August 1942, there would be a trusteeship arrangement whereby the major powers would oversee a gradual movement to independence by former colonies. However, the overbearing and counterproductive way in which France dealt with its colony in Indochina might require a special arrangement there according to Welles:

*“Welles drew an important distinction between the French colony and those of Britain and the Netherlands. While the French record necessitated international administration of Indochina, the British and Dutch could be restored to authority in their colonies provided they agreed to general supervision of, and to report to, the regional international trusteeship council. Hence the Southeast Asian trusteeship council, as envisioned in August, 1942, would have an overall responsibility for assuring the development of self government, but would exercise direct control only in Indochina”* (Hess, 1987, p. 66).

But this solution, which reflected Roosevelt's views on French policy in Indochina, pleased no one. Hull and others in the State Department did not like the plan because the department had claimed it would treat all colonies the same, and they did not want to weaken France in Europe (Kattenburg, 1980, pp. 13-14). The British did not like it because it forced them to give up some sovereignty over their colonies, and divided them from their French allies. The French didn't like it because it took away their colony.

A little over a year later, on October 29, 1943, Bowman wrote the document for the State Department that led to the eventual American position on Vietnam, which parallels his earlier thinking and that of other Council planners in both the Territorial Group and the Economic-Financial Group. In doing so, he was drawing in part on a September 1943, memorandum for the CFR's Territorial Group, "Regionalism in Southeast Asia," in which Emerson floated the idea of a regional council "to establish non-discriminatory trade policies;" this regional council would



place "political and economic control in hands likely to be friendly to the United States" (T-B67, 1943, p. 6).

Bowman's official report listed four alternatives for dealing with Vietnam that ranged from independence to complete French control without supervision. Independence was ruled out because of a fear of instability in the region. Complete French control was considered unacceptable due to France's terrible record in Indochina, which was heavily criticized by Council planners and Roosevelt. Furthermore, a trusteeship such as Roosevelt favored was ruled out because, as Hess (1987, p. 74) summarizes, such a plan "depended upon all colonial powers accepting similar international control of their possessions," which was out of the question as far as the British were concerned. Thus, Bowman argued that the area had to be returned to French control through British-American power, but with "an international system providing for review and inspection of colonial areas" (Hess, 1987, p. 74). Bowman's conclusions were reinforced by a report for the state department subcommittee by Emerson dated November 16, 1943. He too held that French control should be restored, but subject to international review and with the presumption it would lead to self-government for the country in the long run. In other words, the combination of Bowman and Emerson meant that a view similar to that of the Council planners carried the day.

When Britain and France wouldn't even agree to that much oversight, the United States felt it had no choice but to support France because of its distaste for an independent Vietnam led by communist-nationalists. Then, just two years later, with the rise of a communist-led nationalist movement fighting for independence in what was by then called Vietnam, and with the movement's temporary takeover of many of the country's provinces, American leaders were faced with a decision about supporting the French once again. They decided they could not risk granting independence to Vietnam because the nationalist movement had communist leadership, despite the close ties between the movement and a handful of American government officials in Vietnam that were part of the intelligence gathering activities of the Office of Strategic Services (Logevall, 2012, pp. 82-86, 98-105; Spector, 1983, pp. 36-42). Some of the OSS members, and perhaps a few officials in the state department back in Washington, thought it would make sense to support the communist leader of the movement, Ho Chi Minh, whom several of them knew personally. However, it soon became clear that top decision-makers, who tended to be more conservative and concerned about Europe, would support nationalists against a minor nation such as the Netherlands, as demonstrated in Indonesia in 1947-48, but not the likes of Ho Chi Minh, with his close ties to Soviet and Chinese communist leaders (Kattenburg, 1980, pp. 5-8; Lawrence, 2005, Chapters 5-6).

In deciding to oppose the communist-led nationalists, American leaders knew from the start that they were likely to lose, based on reports from the field about the strength of Vietnamese nationalism. As one OSS officer wrote in 1945, shortly before he was killed by the nationalists later that day: "Cochincina is burning, the French and British are finished here, and [the United States] ought to clear out of Southeast Asia" (Logevall, 2012, p. 117). Their policy goal became one of denying the area to communism for as long as possible. Given that minimal goal, their policy was successful until 1975, as Leslie Gelb and Richard Betts (1996) argue. They did not deceive themselves about Vietnam, but they did not make their pessimistic views known to the general public. The policy advice they received from their experts on the ground in Vietnam was accurate about the great strength of the communist-led nationalists, so the decision to fight for a stalemate was made with their eyes wide open. For that reason Gelb and Betts gave

their book the title *The Irony of Vietnam: The System Worked*; it is a reaffirmation of the rationality of CFR leaders, American experts, and the U.S. government.

Once the decision was made to support France in Vietnam, American leaders had to follow French policy and at the same time provide indirect financial support through the Marshall Plan from 1948 to 1950 and then large amounts of direct military support from 1950 to 1954 (Logevall, 2012). The Americans could suggest, cajole, and even threaten, but the French now had the ultimate weapon: the threat to leave. And if any American leaders ever were tempted to deal with the Vietnamese leadership in the 1940s, based on the assessment that these leaders were first and foremost nationalists, that temptation disappeared when the communists won in China in 1949, followed shortly thereafter by the Korean War. From that point forward, according to historian Robert M. Blum (1982, p. 214) in his study of postwar policy in Southeast Asia, "The American containment policy in Southeast Asia arose from the ashes of its failed policy in China."

Similarly, historian Brian VanDeMark (1991, pp. 4-5) says that the United States aided France because of a need for French cooperation in Europe, and later out of fears of communist expansion in Asia. Political scientist David Barrett (1993, pp. 13-14) begins his account of Vietnam decision-making in the Johnson administration with the loss of China to the communists in 1949 and the Korean War in 1950. Historian Andrew Rotter (1987, p. 84) provides a detailed account of policymaking within the Truman Administration to demonstrate that Burma, Malaya (which faced a small but tenacious Communist insurgency at the time), Thailand, and Indonesia (which had a significant Communist opposition throughout this era) figured along with Indochina and Japan in the thinking of foreign policy officials:

*"As the problems in China, Japan, and Western Europe intensified during 1949, drawing attention to Southeast Asia, U.S. policymakers came to regard Indochina, and especially Vietnam, as the key to the resolution of regional and international crises. Officials saw stability and prosperity in Indochina as necessary for the achievement of similar results in Burma, Thailand, Malaya, and Indonesia, and, more and more, as a prerequisite to the political and economic successes of the developed, non-Communist world."*

Even though it is true that Southeast Asia in general became a more critical issue for the United States due to the revolution in China, there is still somewhat of a mystery in terms of including Indochina unless economic considerations are factored into the equation. As historian John Gaddis (1987, pp. 74, 89) points out, the inclusion of Indochina within the American "defensive perimeter" in Asia in the late 1940s actually was an "anomaly" from a military standpoint. Earlier, the military had suggested a defense rooted primarily in islands stretching from the Aleutians, Midway, and Okinawa to British and Dutch islands in the southwest Pacific. Despite that military recommendation, a study by the State Department's Policy Planning Staff in March 1949, and a National Security Council review in December of the same year concluded that Indochina was more vital than either Taiwan or Korea. Gaddis then lists the several reasons why American officials came to this conclusion, which dovetail with those pointed to by Rotter (1987):

*"American officials appear to have made an exception to their general rule of not regarding mainland areas as vital, in the case of Indochina, for several reasons: (1) the conviction that Ho Chi Minh was a more reliable instrument of the Kremlin than Mao Zedong; (2) the belief that the Soviet Union had designated Southeast Asia as a special target of opportunity; (3) concern over the importance of Southeast Asia as a source of food and raw materials; and (4) in an early version of what would come to be known as the "domino theory," fear of the strategic and*

*psychological consequences for the rest of non communist Asia if Indochina should fall to communism”* (Gaddis, 1987, p. 90).

Drawing on the work on the American occupation of Japan by Michael Schaller (1985), Gaddis stresses that the concern with food and raw materials involved support for the Japanese economy as well as keeping needed supplies from the Chinese communists. Then too, the importance of Southeast Asia at the time as a source of raw materials and markets for Europe as well as Japan is stressed in an account of an aid mission to Southeast Asia in 1950 written by its deputy chief (Hayes, 1971, pp. 12-22). In short, the enlarged concern with Southeast Asia is consistent with the CFR's prewar conception of the future Grand Area.

The CFR itself devoted little direct attention to Southeast Asia in the postwar years until March 1950, when it formed a study group to reconsider the region. During the next year it created a joint study group with the Royal Institute of International Affairs to discuss the same area. The views of council leaders resulting from these discussion groups are best revealed in the book that came out of the joint study group. Shoup (1977, p. 20) summarizes the book as follows, with the internal quotes coming from the book:

*“The book produced by the joint study group in January 1953 defined the American national interest in Southeast Asia almost exactly as had the War and Peace Studies Project — in economic and strategic terms. The book argued that ‘Southeast Asia contributes some of the most critical raw materials needed by Western Europe and the United States. It also makes an essential contribution to the food supply of India.’ Strategically, the ‘loss of any further portion’ of the Far East in general ‘could well have decisive effects on the balance of world power in the years ahead.’”*

W. Averell Harriman, a director of the CFR and President Truman's director of mutual security, wrote the first official statement of the American national interest in Southeast Asia in January 1952. Shoup (1977, p. 23) concludes that Harriman's document was "identical" with the CFR view on why the area was of importance. Six months later, the National Security Council approved a statement of policy concerning Southeast Asia that had the usual emphasis on raw materials and the strategic role of the region, adding that "the loss of any single country would probably lead to a relatively swift submission to or an alignment with communism by the remaining countries in this group" (Shoup, 1977, p. 24, quoting NSC memorandum 124/1). In addition, and in keeping with the now familiar Grand Area conception of the American national interest, the statement concluded "the loss of Southeast Asia, especially of Malaya and Indonesia, could result in such economic and political pressures in Japan as to make it extremely difficult to prevent Japan's eventual accommodation to Communism" (Shoup, 1977, p. 24, quoting NSC memorandum 124/1).

In October 1953, the CFR organized a 40-person discussion group on Southeast Asia. Its research director, William Henderson, wrote a pamphlet for the closely related Foreign Policy Association in March 1955, based on his work for the group. It called Southeast Asia an "economic and strategic prize" that was "worth fighting for" (Shoup, 1977, p. 20). A 1954-55 CFR study group on the same region resulted in a book by the group's research director, John K. King of the University of Virginia, which claimed the area was "of global strategic importance roughly comparable to Panama and Suez" (Shoup, 1977, p. 21). Raw materials and the importance of the area to Japan also were part of his argument.

During the Eisenhower years, there was an equally strong, if not stronger, overlap between the CFR and key foreign policy decisions. Wall Street lawyer John Foster Dulles, a CFR member highly involved in its study groups, served as Secretary of State. As mentioned

earlier, his brother Allen, a member of the war peace study groups and the CFR president in the late 1940s, served as the director of the CIA. Then, too, Eisenhower had chaired a CFR study group on aid to Europe in 1949-1950, with Armstrong, Baldwin, and Viner from the War-Peace Studies among its 14 members; three staff members to the aid-to-Europe group had been staff members for the War-Peace Studies (Wala, 1994, pp. 126-135, 254). At its final meeting, several months after the Chinese Communist Army came to the rescue of their North Korean allies, and just before the news broke that Eisenhower had been appointed as the Supreme Allied Commander in Europe, he and other members of the group, with the help of National Security Director Harriman, wrote an urgent letter to President Truman. It called for an immediate military build-up in Europe (Wala, 1994, pp. 136-139).

With Eisenhower and the Dulles brothers playing the major role on foreign policy during the two Eisenhower Administrations, there was even more importance placed on the strategic importance of Vietnam. Eisenhower was ready to escalate support for French troops and land American troops as long as he had hopes that such actions might work (Logevall, 2012, Chapters 16-21). When French leaders and the growing anti-war movement in France asked why the Americans felt they could settle for a truce in Korea, but not in Vietnam, the Eisenhower Administration replied with arguments about strategic and economic issues similar to those discussed in the War-Peace Studies, with frequent mentions of the implications of Vietnam for the economic health of Japan. In March of 1954 Secretary of State Dulles told a large audience at the Overseas Press Club in New York City that "Southeast Asia is the so-called 'rice bowl' which helps to feed the densely populated region that extends from India to Japan. It is rich in many raw materials, such as tin, rubber, and iron ore. It offers industrial Japan potentially important markets and sources of raw material. The area has great strategic value" (Logevall, 2012, p. 462). In keeping with arguments put forth during the Truman years, it was asserted that the loss of Vietnam and its nearby neighbors might lead to the possible fall of Burma, Malaysia and Indonesia. When military actions appeared to be futile, the Eisenhower Administration refused to join the French and British in negotiating a graceful exit, leaving the door open for future unilateral American involvement (Logevall, 2012, Chapter 24).

At the same time, the National Security Council statements of 1954, 1956, 1958, and 1960 continued to define the national interest in Southeast Asia in terms of concepts similar to those invoked by the CFR and the Truman administration. Although the documents usually began with the immediate situation and then spelled out the possible military options for dealing with the latest communist successes, they always explained the need for drastic actions in terms of the same concerns expressed by the Economic and Financial Group within the War-Peace Study Groups. Moreover, the last paragraph in the Eisenhower Administration statements were almost identical in language to the last paragraph of the policy statement under Truman: "The loss of Southeast Asia, especially of Malaya and Indonesia, could result in such economic and political pressure on Japan as to make it extremely difficult to prevent Japan's eventual accommodation to communism" (Shoup, 1977, p. 24, quoting NSC memorandum 5405). Within this context, the CFR established a study group on Southeast Asia in 1959 that met over a two-year period. Among the 43 members were several people that had been in the earlier studies of the subject, including Henderson and King, and one person, Philip Mosely, who had been a research secretary in the War-Peace Studies and a State Department adviser on Southeast Asia after the war. The research director, Russell F. Fifield of the University of Michigan, in effect summarized the group's outlook in his *Southeast Asia in United States Politics* (1963). He repeated the same themes found in the work of CFR leaders and research scholars since the early

1940s. He also called for military involvement and supported the interdependency theory that had come to be known as the "falling dominoes" principle: "Military defense against direct and indirect aggression must be a fundamental United States objective in Southeast Asia, for without security all other goals collapse like a row of dominoes when the first is pushed over" (Fifield, 1963, p. 407).

With this definition of the American national interest firmly established over nearly a 20-year period, the Kennedy administration seemingly had little discussion of basic assumptions as it gradually involved itself in Vietnam. Many commentators at the time had the impression that United States involvement in the war was unthinking and almost accidental, with no real understanding of the risks and costs. For example, Gelb and Betts (1996, p. 73) conclude that during the Kennedy years, "Vietnam policy debates from the beginning of the administration centered on how to save Vietnam, not whether to save it." It was not until the publication of *The Pentagon Papers* (Gravel, 1971) that most people began to understand that both the leaders and their advisors knew from the start that they could not win the war.

But the Kennedy Administration's escalation was not quite that simple or unthinking. The president and his many appointees with longstanding involvement in the CFR believed they could do better than the French because they were not defending a colonial empire, conceived of themselves as sympathetic to an independent non-Communist Vietnam, and had a hugely superior air force to that of France. Overlooking the major differences between the communist insurgencies in Malaysia and Vietnam, they drew hope from the fact that the British finally had triumphed in Malaysia by 1960 (Logevall, 2012, pp. 707-708). The number of American troops in Vietnam soon skyrocketed from 900 in 1960 to 8,000 in mid-1962, to almost 16,300 when President John F. Kennedy was assassinated in November, 1963, and to 23,300 in 1964 (Logevall, 2012, pp. 705-706).

After Lyndon Johnson won the presidential election with 61.1 percent of the vote in 1964, in part by implying he was for peace in Vietnam, unlike his openly hawkish Republican challenger, it appeared that his overwhelming victory provided an opening to draw back from a situation that only had become worse during the Kennedy Administration. Moreover, the Democrats had large majorities in both Houses of Congress and most newspaper editorial pages and a large majority of the general public opposed further escalation (Logevall, 1999). Most of all, the relative handful of foreign policy officials involved in the decision-making process now understood the depth of the Sino-Soviet split and knew that the Soviet Union and China had no interest in pressing for an expansion of the war. As for the communists in Hanoi, they had made it clear they would accept a coalitional government in South Vietnam and "negotiate an agreement that would have allowed the United States a face-saving means of disengagement," which might minimize any super-patriotic voter backlash based on right-wing claims about unnecessarily losing a war (Logevall, 2004, p. 104).

Once the full record of discussions and negotiations involving the major powers of the time became available, which included Australia, Canada, and Great Britain as well as the Soviet Union, China, France, and the United States, it became even more clear than it was at the time that the American leaders had no intention of negotiating despite the many new circumstances and a likely defeat. Instead, they were planning to escalate the war as needed (Logevall, 2001, pp. 69-70). At the same time, it was also clear that they had less concern about defending a Grand Area or ensuring that a now-thriving Japanese economy had access to the former Indochina region. They understood the implications of the Sino-Soviet split, and they expressed little concern about China's possible territorial aims.

Moreover, many of them doubted that North Vietnam and South Vietnam would become a puppet of China if they became one country under communist rule. For example, the top war planners for the Secretary of State and the Secretary of Defense wrote as follows to their bosses and the president concerning the likely outcome if they did not escalate: "the most likely result would be a Vietnamese-negotiated deal, under which an eventually unified Communist Vietnam would reassert its traditional hostility to Communist China and limit its own ambitions to Laos and Cambodia" (Logevall, 2001, p. 75).

By late 1964, then, the key decision-makers that had the option of escalating the war or negotiating a graceful exit were no more worried about the communist threat than the CFR planners had been in the early 1940s. This time, though, they talked even more in terms of American "credibility" and the country's "standing" in the world, and Democrats said they worried about a hawkish backlash even though a majority of the public opposed the war. That is, they were concerned with maintaining the unquestioned American power and prestige that their predecessors projected as a key aim for the United States after World War II. As a result, there were 184,300 American troops in Vietnam by the end of 1965, nearly an eight-fold increase from the previous year, with still more to come—586,100 at the height of the war in 1968 (The American War Library, <http://www.americanwarlibrary.com/vietnam/vwatl.htm> ).

In choosing to escalate the war, Johnson had the full backing of the most visible members of the corporate community, including those who were leaders in the CFR. In addition to the CFR members that held official positions in the Johnson Administration, its leaders organized a 48-person Committee for an Effective and Durable Peace in Asia to support the war effort. The committee ran an ad in the *New York Times* and 13 other newspapers across the country in early September 1965, which expressed its agreement with Johnson's war aims in a ten-point statement of principles. It stressed that he "acted rightly and in the national interest" in sending American troops into Vietnam. A Wall Street lawyer, Arthur H. Dean, the country's chief negotiator at the talks that ended the fighting in Korea, chaired the committee. Most of the 48 members were bankers, corporate lawyers, and college presidents from all parts of the country, but there were several corporate CEOs as well. Several of them served on the Citizens Committee for Peace and Freedom in Vietnam and other pro-war committees that attempted to shape public opinion (e.g., Brinkley, 1992, pp. 248-250).

By 1967, however, many CFR leaders began to express doubts about further escalation, leading to a new study group on "A Re-examination of American Foreign Policy." Then, in late March 1968, shortly after a surprise attack on South Vietnam's capital city, Johnson called together his senior advisory group on Vietnam for consultation because of divided opinion among his government advisors about what steps to take. Officially named the President's Consultants on Foreign Policy, and informally called the "wise men," the advisory group had been constituted in September 1964 and announced in the *New York Times*. Most of the sixteen original members were members of the CFR as well as former top State Department appointees in the Truman, Eisenhower, and Kennedy administrations, or else leaders on Wall Street. They had supported Johnson's decisions to escalate the war, including the dispatch of combat troops in July 1965, and had reassured him again in early November 1967 that he was on the right path (Gibbons, 1989, pp. 347-350; 1995, pp. 874-878; Isaacson & Thomas, 1986, Chapter 23).

At the March 1968 meeting, though, the great majority of those in attendance thought that de-escalation, negotiation, and eventual withdrawal were the only sensible steps. According to Shoup (1977, p. 26), 12 of the 14 men present at this crucial turning point were members of the CFR. Cyrus Vance, a Wall Street lawyer, the Deputy Secretary of Defense in the Kennedy

Administration, and a CFR director, explained the group's thinking to a former state department official who was writing a book on the dramatic change in Vietnam policy. "We were weighing not only what was happening in Vietnam," said Vance, "but the social and political effects in the United States, the impact on the U.S. economy, the attitudes of other nations; the divisiveness in the country was growing with such acuteness that it was threatening to tear the United States apart" (Hoopes, 1969, pp. 215-216).

By this point all of the CFR leaders and advisors had been well aware of the tensions between China and the Soviet Union for several years, which made any lingering fear of a coordinated communist effort against American, European, and Japanese corporate involvement in the Third World less likely. They also knew that in 1965 Indonesian leaders had decimated the Indonesian Communist Party, by then the third largest Communist Party in the world, which eliminated communism as a threat in that large and resource-rich island empire. Within this changed geopolitical context, and knowing there was no chance of victory, they thought it was time to grapple with the increasing economic and political disruption on the home front (i.e., rising inflation, people in the streets). When Richard M. Nixon was elected president in 1968, it fell to a longtime CFR advisor and member, the Harvard-based strategist Henry Kissinger, to negotiate a gradual withdrawal from Vietnam. Kissinger worked closely with members of a CFR study group on "the Vietnam Settlement," which was created in late 1968 to decide on the terms of a political settlement, in developing the American negotiating position for talks with the Vietnamese communists (Shoup, 1977, p. 27).

## CONCLUSION

As this article shows, research in Council on Foreign Relations files and in the archives of several experts who were part of its War-Peace Study Groups provides a useful backdrop and a larger economic and political context for studies of postwar decision-making on issues such as the origins of the IMF and the Vietnam War. More generally, this research illuminates the way in which American corporate leaders attempted to shape the postwar world to the greatest extent possible in order to establish the rules and regulations for a worldwide international economic system within which American financial and corporate interests could flourish. At the same time, they also succeeded in undercutting pro-union legislation and minimizing domestic spending that might help the liberal-labor alliance, a part of the story that is told elsewhere (Domhoff, 2013). The article thereby provides further evidence for the importance of the policy-planning network in general and organizations such as the Council on Foreign Relations and the Committee for Economic Development in particular in understanding how corporate dominance is exercised in the United States.

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