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## II. The Vision of Franklin Roosevelt and Lyndon LaRouche

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THE GOOD NEIGHBOR POLICY AND BRAZIL

# Roosevelt's Bold Creation of the Anti-Entropic Bretton Woods System

by Richard Freeman

Sept. 1—This article is a Wake-Up call. Today we are faced with a derivatives-laden global financial and economic crisis of enormous proportions. There is a way out of this crisis—a solution—but one that is only possible if we understand how we got here and the nature of the mistakes we have made.

Many of the economic and financial crises we have lived through over the last 48 years, including the crises of 1987, 2001 and 2008—as well as the de-industrialization, the orgy of financial speculation, and the now exploding crisis of today—have resulted from decisions that the City of London forced upon President Richard Nixon on August 15, 1971, decisions that ultimately led to the complete abolition of the Bretton Woods System, as it had been established by Franklin Roosevelt in 1944.

As the current trans-Atlantic banking system now approaches doomsday, we once again find the long-neglected topic of “Bretton Woods” becoming a subject of discussion, occasionally referenced sympathetically, but more often distorted by Wall Street and City of London mouthpieces who attempt to turn history on its head by using the *name* “Bretton Woods” to argue for an even more dictatorial monetarist regime, a more ruthless system of fascist austerity and financial bail-outs. There is much confusion about these matters, and here we shall attempt to clear the air and state the matter truthfully.

FDR’s intention was never to simply create a “monetary system.” That was the oligarchical outlook of Britain’s John Maynard Keynes. For Roosevelt, as for Alexander Hamilton, monetary and banking matters must be subservient to the intention of increasing



President Franklin D. Roosevelt on January 19, 1937. AP

human productivity and uplifting the population. The goal is always physical economic development and the upward development of the people. This is absolutely primary—and banking and credit policies are designed to serve that end.

The actual origins of Bretton Woods are to be found in Roosevelt’s Good Neighbor Policy, and especially the 1942-43 U.S. Technical Mission to Brazil.

This is a story that has been obscured, misrepresented and largely forgotten, but it is a story of crucial importance and one that points the way toward the approach which must be taken today.

### **The Community of Principle of Good Neighbors**

“In the field of world policy I would dedicate this Nation to the policy of the good neighbor,” Roosevelt

asserted in his March 4, 1933 inaugural address. Several historians represent this as increased friendliness. But Roosevelt's idea of it is far more profound.

That idea was distilled into the *1942-43 U.S. Technical Mission* to Brazil.

That mission, along with the parallel building by the U.S. and Brazil of the revolutionary steel plant in Volta Redonda, Brazil (located in Rio de Janeiro state), starting with the planning in the late 1930s, was the core-paradigm for U.S. collaborative development of Ibero-America as a whole, and it blossomed into the paradigm for the Bretton Woods institutions' post-war development of the world, as conceived by Roosevelt.

Roosevelt's intention for the Bretton Woods was, as he repeatedly made clear, to forever end the British-French-Dutch imperial system, and the genocide it entailed. In its stead, he would build a Grand Design, an interconnected panoply of infrastructure on a mind-boggling scale, and the mass transfer of high-technology machine tools of all kinds to Europe, Japan, but especially to what was still then the colonial world.

He would start with, initially, the transformation of a group of about a dozen Ibero-American nations, but ultimately, the intention was to develop or reconstruct every nation on every continent, *producing self-feeding anti-entropic growth*. The funding for it would flow from a multilateral institution of sovereign republics, utilizing a *Hamiltonian international credit system* (as opposed to a monetarist monetary system), with *abundant, inexpensive credit, at 1-2% interest rates*, supported by a gold-reserve, fixed-exchange-rate system, and provision—in the earliest drafts by U.S. Assistant Secretary of Treasury Harry Dexter White—for developing countries to apply capital controls and tariffs that would protect their fledgling industries, and prevent pillaging.

The 1942-43 U.S. Technical Mission to Brazil was the paradigm for the Bretton Woods system to develop mankind, with its overarching feature, the scientific-physical transformation of these countries. In the Fall of 1942, Morris Llewellyn Cooke, one of Roosevelt's clos-

est allies, who headed many of the New Deal's most important programs (and who is virtually unknown today), led a team of 12 other U.S. engineers and scientists to Brazil, where they were joined by a waiting team of more than 100 Brazilian scientists and engineers, and that country's top leaders. The idea was unique: two nations—the underdeveloped Brazil and the industrialized U.S.—together through a series of surveys, intensive discussion, and planning, would direct the accelerated transformation of an *entire economy*, its labor force, and thereby its population and society, to benefit Brazilians, and secondly, to serve as a proof of principle.

For the first time, perhaps for any nation in history, *the United States willingly transferred not just goods, but its science and technology, in entire scientific-technological packages, at very low cost, or in several cases for free, to the Brazilian nation*. This scientific-technological principle would be infused directly into the Brazilian economy and mind, and would be deployed to upgrade every major Brazilian manufacturing, infrastructure, and agricultural sector. Over decades, economist Lyndon LaRouche repeatedly raised this as the fundamental principle to develop the third world.

The U.S. Technical Mission planned explicitly to electrify Brazil. One focus was to build a

“Brazilian TVA” in the São Francisco River Valley, using the river's falls to generate hydro-electric power and develop the whole valley. Another plan would transform transportation, such as dredging and connecting the Orinoco and Negro Rivers, and then connecting them to the mighty Amazon and Rio de la Plata river systems. It would concurrently raise tens of millions of Brazilians out of poverty, uplifting their living standards, with special emphasis on nutrition and protein intake, health, housing, and the educational-technological level of the labor force. It would upgrade the cognitive-productive powers of labor.

The relationship was not one-sided, but profoundly collaborative. Brazil's outstanding leaders—President Getúlio Vargas, nicknamed “the Father of the Poor”;



PA Rural Electric Association

Morris Llewellyn Cooke, Rural Electrification Administrator and close ally of FDR.



TVA

*The Chickamauga Hydroelectric Dam and Reservoir; built in 1941 on the Tennessee River.*

Foreign Minister Osvaldo Aranha; the Coordinator of Economic Mobilization of Brazil, João Alberto Lins de Barros; and others of Brazil's patriotic intellectual-development tradition—had scores of proposals, based on projects that they had cherished the wish to develop for decades. They were excited that they now had the means, *as collaborating republics*, to bring those projects into existence.

### Roosevelt's Method

Roosevelt—who wrote his thesis on the role of Alexander Hamilton's philosophically dirigist economic thinking and his actions in establishing the American Republic—had understood and adopted the view of John Quincy Adams, expressed in the 1823 Monroe Doctrine, that the United States and Ibero-America should establish in the Western Hemisphere a community of principle of perfectly sovereign nation states.<sup>1</sup> This idea was developed with the implicit, and then explicit, idea of joint physical development.

1. Freeman, Richard, "Then and Now: Why Roosevelt's Explosive 1933-45 Recovery Worked, Part 1," *Executive Intelligence Review*, April 26, 2002, pp. 27-29.

collecting the debt by grabbing customs duties. This deplorable policy, known as Dollar Diplomacy, persisted for a third of a century (1901-33).

Roosevelt decided to wrench the national debate back to this fundamental issue, denounce Dollar Diplomacy, and bring the nation back to the Quincy Adams policy. In an article in the July 1928 issue of *Foreign Affairs* entitled, "Our Foreign Policy: A Democratic View," Roosevelt threw down the gauntlet, asserting:

We must admit . . . that the outside world almost unanimously regards us with less good will today than at any previous period. This is serious unless we take the deliberate position that the people of the United States owe nothing to the rest of mankind and care nothing for the opinion of others so long as our sea-coasts are impregnable, and our pocketbooks are filled.

*An analysis of our own history disproves the accusation that this selfish spirit is the real American spirit.* In the debates during the war of the



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*A lineman working for the Rural Electrification Administration to bring electricity to rural America.*



Official Photo

Getúlio Vargas, President of Brazil.



Oswaldo Aranha, Brazilian Foreign Minister.



Coordinator of Economic Mobilization  
João Alberto Lins de Barros.

Revolution and in the long discussions immediately preceding the adoption of the Constitution it was plain that careful thought was being given to every conceivable form of government in the hope that what the United States finally adopted might serve as a pattern for other peoples, especially in regard to the spirit that should govern the relations of one state with another. (emphasis added)<sup>2</sup>

Roosevelt called for the abandonment of the use of the Marines in Central America, and he contends:

The time has come when we must accept many new principles of a higher law, a newer and better standard of international relations. We are exceedingly jealous of our own sovereignty and it is only right that we should respect a similar feeling among other nations. *The peoples of the other Republics of this Western world are just as patriotic, just as proud of their sovereignty.* Many of these nations are large, wealthy, and highly civilized. The peace, the security, the integrity, the independence of every one of the American Republics is of interest to all the others, not just the United States alone. (emphasis added)

2. Roosevelt, Franklin D., "Our Foreign Policy: A Democratic View," *Foreign Affairs*, No.4, July 1928, pp. 573-588.

He concludes his 1928 article:

We can point the way once more to the reducing of armaments; we can cooperate officially and whole-heartedly with every agency that *studies and works to relieve the common ills of mankind*; and we can for all time renounce the practice of arbitrary intervention in the home affairs of our neighbors.

*It is the spirit, sir, which matters.* (emphasis added)

### National Sovereignty for All

Thus, Roosevelt enunciated the principle of national sovereignty as a strategic aim of what would become the Good Neighbor Policy, four years before he became President.

Later, in his March 4, 1933 inaugural address, Roosevelt sketched the outline of his policy.

In December 1933, he instructed U.S. Secretary of State Hull to deliver, in his remarks to the Seventh International Conference of American States, held in Montevideo, Uruguay, his manifesto, renouncing the policy of armed intervention into neighbor countries, which was signed as an agreement at that conference. This was a thunderstroke.

Recognizing the 180-degree reversal of the policies of Teddy Roosevelt and Woodrow Wilson, Mexico's great leader, then Mexico's Secretary of Foreign Affairs, José Manuel Puig Casauranc, concluded: "I wish



to submit my profound conviction that there is in the White House an admirable, noble and good man—a courageous man.” While astonished that the U.S. would do this, some other Ibero-American leaders also signaled their praise.

In 1935, Roosevelt began assembling a team that would make a strategic shift to a New Paradigm and implement physical-economic development for third world countries. It would work out plans, foremost for

Brazil and other neighbor nations in Ibero-America, and then apply the knowledge gained to nations around the world. The U.S. also had a very direct, mounting strategic alarm at the considerable spreading influence extended by Hitler’s Germany, Franco’s Spain, and Mus-



FDR Library

*Secretary of State Cordell Hull (left) and Deputy Secretary of State Sumner Welles.*



*Assistant Secretary of Treasury Harry Dexter White.*

solini’s Italy, into Ibero-America.

Roosevelt’s leadership came to the fore: a warm, but sometimes biting sense of humor; a creative playfulness; and a steely inner commitment to mobilizing a nation behind a national mission of transcendent purpose.

Roosevelt attracted creative people—unorthodox thinkers who would not have lasted a week in another administration—but who flourished under him. This team—it was never officially designated as a team—consisted of Assistant Secretary of Treasury Harry Dexter White; Deputy Secretary of State Sumner Welles; Morris Llewellyn Cooke (see below); Vice President Henry Wallace; Director of the State Department’s South American Division, Laurence Duggan; Chair of the Reconstruction Finance Corporation and then Federal Loan Administrator, Jesse Jones; Harry Hopkins; Treasury Secretary Henry Morgenthau; William Clayton; Secretary of the Navy, 1913-21, and then U.S. Ambassador to Mexico, 1933-41, Josephus Daniels; and Assistant Secretary of State for Latin American Affairs, A.A. Berle.

## Roosevelt and LaRouche

There is a rich connection between the contribution of Lyndon LaRouche, and Roosevelt. LaRouche made a fundamental breakthrough in 1948-52, that scientific discovery and human creativity, through the machine tool and analogous machinery, causes increases in productivity and the productive powers of labor. For LaRouche, productivity did not mean a linear increase in output per se, although it would not be turned down, but rather non-linear leaps to higher platforms of development of anti-entropic growth, greater energy-flux density, and greater power and efficiency for mankind’s advance. This is the well-spring of economics, and the underpinnings for a new Bretton Woods. Franklin Roosevelt was no longer alive to know of LaRouche’s unique, higher breakthrough. But in doing something great for the benefit of mankind, his mind, lawfully, moved in the direction of an approximation of that idea.

## I. The 1942-43 U.S. Mission to Brazil

To head the 1942-43 Mission, Roosevelt chose one of his most trusted allies, Morris Llewellyn Cooke, who had headed several of the most important programs in his administration.

Cooke was one of those people—like Josephus Daniels, Laurence Duggan, A.A. Berle—who was not a “star,” at least not in historians’ eyes, most of whom could not pick him out of crowd, but who formed the backbone of the administration.

For three decades, Cooke resolutely electrified and industrialized America. He was trained as a mechanical engineer and became a very skilled industrial and hydraulic engineer. From 1911 to 1915, Cooke served as the Director of Philadelphia’s Public Works Department. In the period 1923 to 1925, Cooke directed the landmark Giant Power Survey in Pennsylvania for its Governor, Gifford Pinchot. The survey’s conclusion called for extending electric power to every household in the state, rural as well as urban, at reasonable rates, and stated that if the speculative, privately owned utilities would not do it, they would be put under significant government regulation, in order to ensure compliance.

Franklin Roosevelt and Cooke became good friends during FDR’s second term as New York Governor, 1930-32, when Roosevelt was working intensively on a project dear to his heart, the fourth of the “Four Corners Projects,” which concerned building out the St. Lawrence River Seaway, the river running between Canada and the United States. Roosevelt wanted to bring continuous water flow and ship traffic from the Atlantic Ocean to the Great Lakes, and to garner hydro-electricity from the falls—such as Niagara Falls—that tumbled into the river. He also wanted to develop a “yardstick” to figure out the actual cost of a kilowatt of electricity. Roosevelt hired Cooke as a research adviser, but Cooke soon was giving insight and policy suggestions.

Cooke was a passionate, life-long advocate of rural electrification. In 1935, Roosevelt appointed Cooke as the first director of the Rural Electrification Administration, a signature New Deal program, in which capacity Cooke transformed American agriculture and rural people’s lives, bringing electricity, for the first time, into farmers’ homes and their farm operations.

In 1936, at Roosevelt’s behest, Cooke chaired the Third World Power Conference, held in Washington,

D.C., drawing delegates from nations all over the world, developing *a world development perspective*, discussing how to build massive new power capacities for nations in each region in the world. Here Cooke met leaders from all over Ibero-America.

In 1942, Roosevelt assigned Cooke, now 70 years of age, to head the U.S. Technical Mission to Brazil, the heart of the Good Neighbor Policy and the spearhead for the development of Ibero-America as a whole. He had all the qualifications to help jointly build a nation.

### **Prelude: The Development of Brazil, 1938-42**

U.S.-Brazil physical-economic collaboration had been established as a stepping-stone since 1936-37. In 1938, the Brazilian government gave the final go-ahead to build the Volta Redonda steel plant in Rio de Janeiro state, which was communicated to Washington. Projects for rail development were mooted.

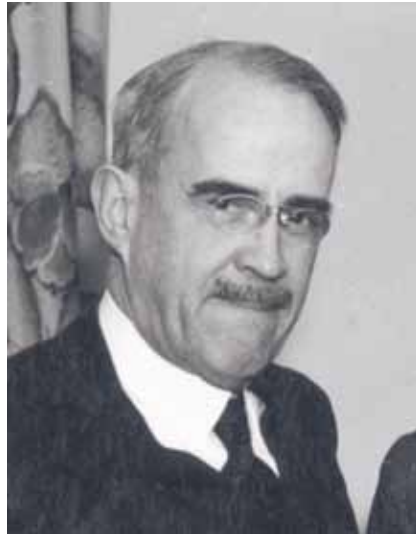
The pace of U.S.-Brazilian planning quickened.

On September 19, 1939, Henry Dexter White, director of Monetary Research, U.S. Treasury Department, dispatched an internal Treasury Department memo to his boss, Henry Morgenthau, titled “Specific Proposals for Immediate United States-Brazil Cooperation.” It is an

integrated plan to develop Brazil. In this context, the reader will appreciate its far-reaching nature.

The memo had four parts. The first part proposed a monetary stabilization loan of \$50 million in gold, to help Brazil stabilize its currency. The second part proposed a U.S. Export-Import Bank \$50 million revolving credit to United States exporters, so that they could export goods, especially capital goods, to Brazilian companies. Part three of the memo is titled a “Special credit of \$100 million for [Brazil’s] purchase of railroad rolling stock supplies and railroad shop equipment in the United States for reconstruction of the Brazilian railroad system.”

The memo’s fourth part is a real blockbuster, building upon part three. It is titled, “The immediate inauguration of an elaborate joint Brazil-U.S. engineering, geographic and economic study of long-term projects for the development of Brazil.”



Morris Llewellyn Cooke

FDR Library

Discussion of the physical elements of this memo went back and forth between Brazil and the United States from late 1937 through early 1939.

The memo proposed:

On the basis of information available there seems to be great potentiality for the development of long-term projects on the following basis:

a. United States to finance Brazil's purchases of machinery, materials, and technical skills in the United States. . . .

c. Ultimate control of the economic enterprises to rest in the hands of the Brazilian Government or Brazilian nationals.

The next section was:

The Transportation System—Construction of new strategic railroad lines in Brazil:

(1) The construction of a *1500 mile [railroad] north and south through the interior of Brazil* which would open up the resources of the vast Brazilian plain.

(2) Construction of a railroad to bring the valuable iron ore deposits of Itabera [a city in São Paulo state] down to the waterfront.

(3) The construction of a railroad to connect Brazil with Bolivia.

(4) Raising of capital by the Brazilian government to purchase the British owned railroad line. . . .

(5) *A long-term program for the construction of highways* in coordination with the railroad system.

*The construction of a merchant marine* for coastwise and river traffic and the improvement of river transportation through the interior. . . .

b. *The development of Brazil's waterpower resources.*

Brazil at the present time imports a large amount of coal from England to produce the necessary electric power. No serious attempt has yet been made to *harness the Brazilian waterways for the purpose of developing power resources.*

c. *The development of an iron and steel industry in Brazil* based upon the rich iron deposits in Itabera and coal exports from the United States.

d. *The development of complementary agricultural production.* (emphasis added)<sup>3</sup>

This astonishing, far-reaching memo-plan is sweeping in scope: build networks of railroads, a merchant marine fleet for goods transport, highways, hydro-electric power generation, iron and steel production, and agricultural development. Many of these plans, such as that for railroads and steel, were based on *concrete projects*, that had been already been vetted and partly designed.

Thus, the 1942-43 U.S. Technical Mission to Brazil was not creating an entirely new mission, but was there to implement, strengthen and *raise to another level*, work that was conceived and underway in a limited fashion, when Cooke and the rest of his Mission planners arrived in Rio de Janeiro in late Fall 1942.

### Working in Brazil

Morris Llewellyn Cooke and his counterpart as the head of the Brazilian Technical Mission, João Alberto Lins de Barros, Brazil's Coordinator of Economic Mobilization, concluded that Brazil's multifarious problems, all springing from lack of development, could not be solved by plodding, piece-meal reforms. Only unified, top-down methods, which superseded underdevelopment by systemic development, led by the transfer of scientific-technological packages, would work.

Brazil constituted 48% of Ibero-America's land mass, and already was the world's tenth most populous nation, but it was scarred by illiteracy, malnutrition, and vast poverty.

The plan was to wrench the Brazilian economy from its staid past and thrust it into a new dimension. Expressing this outlook and this purpose, Cooke and Lins de Barros wrote on December 1, 1942, a "Mission Statement" addressed to Presidents Roosevelt and Vargas.<sup>4</sup>

Its philosophic outlook was revolutionary, and its suitability for application today, is overwhelming.

The Cooke-Lins de Barros memo extended the Sept. 19, 1939 memo written by U.S. Treasury official Harry

3. White, Henry Dexter, *Specific Proposals for Immediate United States-Brazil Cooperation*, Sept. 19, 1939, Henry Dexter White Papers, at the Seeley G. Mudd Manuscript Library, a division of the Rare Books and Special Collections, Princeton University Library, Princeton, New Jersey.

4. The Papers of Morris L. Cooke: 1914-53, at the Franklin D. Roosevelt Presidential Library and Museum, Hyde Park, New York.

Dexter White, cited above.

The Cooke-Lins de Barros memo called for rapid electrification, and emphatically, the development and expansion of Brazil's own indigenous manufacturing sector, covering every type of manufacture. It stated:

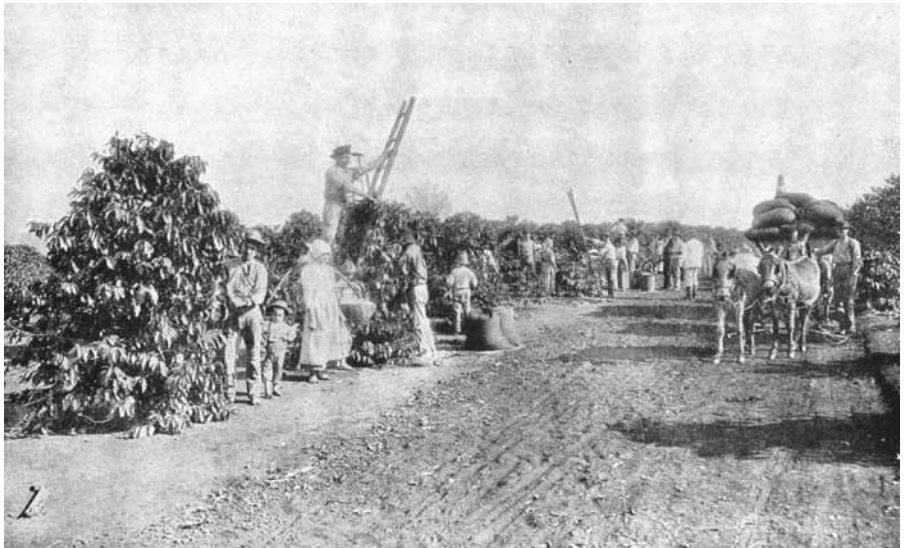
[Brazil's] industrial centers are surrounded by a countryside in which wagons and oxcarts outnumber automobiles.... Brazil's roads, railroads, and electricity-generating capacity are relatively limited.... The gauges of Brazilian railroads differ, so that not all cars can pass over all roads; and the frequencies of her electric current also vary, so that power plants cannot be generally interconnected.

Some industries that with us [the United States] occupy strategic positions are simply nonexistent there. Brazil's largest industry—textiles—needs almost 100% modernization, especially in the machine equipment.

(Textiles and clothing production constituted Brazil's largest industry, but it used machines that were 40 years behind the times.)

The memo added:

Later-day technological developments, especially in the large-scale production and long-distance transmission of electrical power, have sealed the doom of typical [British] nineteenth international trading, in which the stronger and more highly developed countries carried raw materials great distances to the home country for fabrication and then sent the finished goods to the four corners of the earth, where they were sold at generous profits to peoples not in a position to do their own manufacturing. Today technology and the wide availability of electric power can change all this. Brazil should plan to do as much of her own manufacturing as is economically feasible and as much of this as is possible near the point or origin of her raw materials. This is a far cry from ... *the bombastic theories of industrial*



*Coffee picking in early 1900s Brazil, before mechanization.*

*development based on the right of one nation to dominate the lives of other peoples because of an alleged superiority of race. (emphasis added)*

Further:

Whatever activities may be undertaken in the direction of *guiding our neighbor out of the abundance of our technological knowledge and experience* must be in the nature of assisting in the development of Brazilian plans. (emphasis added)

Earlier, Cooke had chaired the 1936 World Power Conference, which discussed how to build vast new power generation supplies for nations in each region in the world. As the first director of the U.S. Rural Electrification Administration, in 1935, Cooke pioneered in the stringing of power lines across the vast rural areas of the United States, comparable in distance to Brazil's.

The second part of the approach of the Lins de Barros-Cooke mission statement and the U.S. Technical Mission's Final Report, is its plans, and its accomplishments. This is voluminous, with plans too detailed to present here. But five critical project areas are a microcosm unfolding the macrocosm of the Mission plan as a whole.

In looking at each of the five project areas, the reader should keep in mind that in attacking deep backwardness, one should select and strike at fundamental areas



of manufacturing, agriculture, and infrastructure, whose significant scientific change will accelerate transformation of the whole economy; second, that as good as each of the five is, each operates as part of an integrated whole.

### Plan 1. Turning São Francisco Valley into a TVA

Brazil's São Francisco River is 1,760 miles long, covering a basin of 247,000 square miles. It is the third largest river, surpassed only by the Amazon and the Plata-Paraguay.

Cooke paints a picture of the river as it reaches a point below Joazeiro, in the state of Bahia. Here begin—

the rapids and falls regions; then the river drops between 800 and 900 feet, and at last charges over the *Paulo Afonso*, one of the highest falls in Brazil. The electrical potential of these great cataracts has been estimated as at least 1,000,000 horsepower.

Cooke then quotes an American observer:

The falls of Paulo Afonso deservedly rank with the great cataracts of the world. In height and volume discharged, the main fall of 195 feet and 85,000 cubic feet per second is probably the greatest single concentrated power in the world.

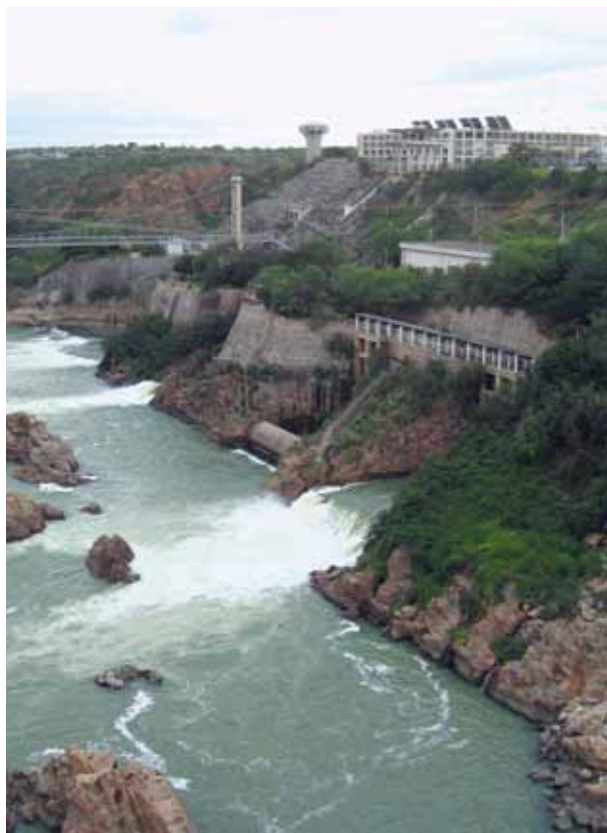
The American who surveyed the falls, documented the São Francisco's immense development potential:

The São Francisco is a great stream, comparable with the great rivers in the world. *Its valley offers irrigable acreage as large as that of cultivated Egypt.* Its annual inundation, like that of the Nile, that other great northward flowing river of the five

continents, covers its banks with rich alluvial silt each year, to a width of 10 to 20 miles over a course of more than 1,000 miles, from the mountains at its source to the lowlands of the sea. (emphasis added)<sup>5</sup>

The São Francisco also had immense hydro-electric power potential, which would soon be home to thousands of farms and factories.

Accordingly, in 1945, with America's Tennessee Valley Authority (TVA) as a model, Brazil formed the Companhia Hidro-Elétrica do São Francisco (CHESF) to direct construction of dams on the São Francisco River, at the point of Paulo Afonso. On January 15, 1955, Brazilian President Dr. João Café Filho inaugurated Paulo Afonso Unit #1. Several more units were subsequently built. Today, the Paulo Afonso Hydroelectric Complex has 23 operational units, with nameplate generating capacity of 4.28 megawatts (5.7 million horsepower).



CC/Mkossick

*The Paulo Afonso Hydroelectric Power Complex in Bahia, Brazil.*

### Plan 2. Tens of Millions of Kilowatts: Electricity

Based on the need to electrify Brazil, Morris Cooke wrote,

The developing of Brazil's waterpower cannot be exaggerated. Unless electricity produced from water power, hydroelectricity, can supplement Brazil's supply of low grade coal, not enough metals can be smelted, not enough railroads can be run, not enough machinery can be built, not enough cloth can be woven, not

5. Cooke, Morris Llewellyn, *Brazil on the March—A Study in International Cooperation; Reflections on the Report of the American Technical Mission to Brazil*, New York and London, Whittlesey House, a division of the McGraw-Hill Book Company, Inc., 1944, pp. 193-208.

enough paper can be made to carry out the plans of our two countries for either the emergency of war or the necessities of peace.

It turns out that a pioneer, if not the leading pioneer, who spearheaded Brazil's development of hydro-electric power was an American, Asa White Billings, who was a hydro-electric engineer. Billings settled in Brazil in 1922 and lived there for all but the last few months of his life, before his death in 1949.

One notable project, exemplifying his work, and beginning Brazil's era of hydro-electric power: Starting in 1927, Billings planned and oversaw the construction of a dam across the Rio Grande (today known as the *Rio Pinheiros*) in São Paulo, which dammed up and reversed the multiple streams in the Sao Paulo area. Completed between 1935 and 1937, it created an immense 49 square mile (127 km<sup>2</sup>) reservoir which, taking advantage of a 600-foot drop, produced hydro-electric power for the budding manufacturing base of São Paulo, Brazil's largest manufacturing center.<sup>6</sup>

The goal of Morris L. Cooke, who knew Billings, was to take Billings' work—the work of the São Francisco Valley's Paulo Afonso Hydroelectric complex, which was still a gleam in the planners' eyes, to electrify all of Brazil, replacing the water wheel, and the steam-powered belts and pulleys in Brazil's manufacturing plants—to bring electricity to the farm and the home.

6. Ackerman, Adolph J., *Billings and Water Power in Brazil*, Madison, Wisconsin, published by the author, 1953; and Hager, Willi, "Hydraulicians in the USA 1800-2000," Monograph by the International Association for Hydro-Environment Engineering and Research, 2015, p. 1829.



*Asa White Kenney Billings*

Cooke also sought to electrify Brazil's railroads, a technological breakthrough. He wrote:

Today, [Brazil] has the edge on [the United States], because the day of the dependence of railroads, on coal is passing. Brazilians no longer need to rely on that long-past age which laid down the coal measures; they can use electric energy instead.<sup>7</sup>

This momentous thrust from Cooke, Brazilians, et al, produced remarkable results: Brazil today is the world's eighth largest electricity-producing nation, at 590,900 gigawatt-hours annually, only 63,000 GWh behind Germany. The

Itaipu Hydroelectric Complex, with an installed generation capacity of 14 megawatts, is the world's second largest electricity generating dam, eclipsed only by the Three Gorges Dam in China. Seventy-two percent of Brazil's electricity comes from hydro-electric genera-

7. Cooke, *Brazil on the March*, p. 189.



itaipu.gov

*The Itaipu Hydroelectric Dam on the Paraná River between Brazil and Paraguay, completed in 1983.*

tion, powering the world's eighth largest economy. Now, some Brazilians see the need for expansion of nuclear as well.

### Plan 3. Giving Brazil a Future

The British and Portuguese empires sought to keep Brazil, and innumerable other countries, in subjugation as backward raw-materials producing states. Cooke, and the United States, sought to have Brazil develop its own manufacturing base—two irreconcilable views of the world.

On behalf of the U.S. Technical Mission to Brazil, Cook stated:

Modern industrial progress is measured by the degree to which the machine is able to displace the work of man in the production of useful articles. This concept is a challenge to the intelligence, imagination, and ingenuity of the executives and engineers of industry. The function of the engineer is to analyze the process of production with the aim of constantly reducing the amount of human effort involved.

The Mission started with Brazil's then largest industry, though in the future, as Brazil developed, it would not be the most important: textiles and clothing. It proposed to convert to automatic looms.

The Mission's study report is hundreds of pages long, containing detailed plans of how to modernize Brazil's industrial, agricultural, and mineral base, including the manufacture of soda ash, the production of alumina from bauxite, and the use of new technologies to produce tungsten, chrome, rubber, and varied chemicals. The report proposed to introduce modern industries that did not even exist in Brazil. Altogether, the

report had plans for dozens of industries.

Two communiqués written in October 1942 by Frank Hodson, the metallurgical engineer expert of the U.S. Technical Mission to Brazil, show how the operation was run. In one communiqué, Hodson instructs people to contact the director of a machine tool company in New York City, whom he knows, to ship a Sim-



*The Amazon River basin.*

EIRNS

plex pulverizing machine to Brazil on an expedited basis.<sup>8</sup> Brazilian engineers were being trained. These were not hypothetical plans; they were hands-on.

### Plan 4: Connecting the Negro and Orinoco Rivers

On November 22, 1942, American consulting engineer Dudley South sent a communication to U.S. Am-

8. October 16, 1942 letter from Frank Hodson, metallurgical engineer expert of the U.S. Technical Mission, to Mr. Alec Taub, in the Franklin D. Roosevelt Presidential Library and Museum, Hyde Park, New York.



bassador to Brazil, Jefferson Caffrey, delineating that Brazilian President Vargas had become intrigued by a proposal “to open the natural river connection between the Rio Negro and the Orinoco rivers to permit shallow draft barge and river boat traffic.” Upon engineer South’s arrival in Rio de Janeiro, Brazil from Venezuela, he was met at the airport—

by Mr. Cyro Aranha, who took me to the office of Dr. Oswaldo Aranha [Brazil’s Foreign Minister]. Dr. Oswaldo Aranha spent about two hours discussing the river improvement project with me. He had complete maps, and expressed himself as being very much interested in the Rio Negro-Orinoco connection as well as the strategic and economic value to Brazil of opening up of the southern Brazilian rivers.

Soon, engineer South was whisked away to “see Dr. Joa Alberto at his home.” Dr. Joa Alberto was João Alberto Lins de Barros, Brazil’s Economic Mobilization director, and the counterpart of Morris L. Cooke, who co-wrote the Cooke-Lins de Barros Mission statement. South wrote that “Dr. Alberto kept me from four o’clock until 7 o’clock on a Saturday afternoon,” discussing connecting the Negro and Orinoco rivers.” Lins de Barros then set up a meeting with engineer South and Morris L. Cooke on the subject of “the Rio Negro-Orinoco inland waterway connection.”<sup>9</sup>

The Brazilians kept pushing to deepen the proposal, and eventually there appeared a proposal to connect the Negro and Orinoco rivers, with the intention for a connection to the mighty Amazon and Plata rivers, a Charlemagne-type project. This equally shows that the U.S.-

9. November 22, 1942 letter from Dudley South, Consulting Engineer to Jefferson Caffrey, U.S. Ambassador to Brazil, in the Franklin D. Roosevelt Presidential Library and Museum, Hyde Park, New York.

Brazil Technical Mission to Brazil received Brazil’s full and heavy input, as it did in many areas, and was truly a collaborative mission.

### **Plan 5. Revolutionary Plan for a Giant Steel Mill in Volta Redonda**

The construction of the Volta Redonda steel plant represents a crowning achievement in Brazilian-U.S. relations; it is the *sine qua non*, as Brazilian President Vargas had advocated since 1931, of Brazil’s industrialization.

Up until then, Brazil produced steel products usable only by light manufacturing industries, nothing heavier.



CC/HenriqueBarraMansa

*The Companhia Siderúrgica Nacional, Brazil’s second largest steel complex, located in Volta Redonda, began production in 1946.*

It had a steel ingot capacity of less than 200,000 tons. A Brazilian steel executive commission was set up to devise the Brazilian construction design. Once again, Brazilian-U.S. relations came into play. To evaluate the plan, the Brazilian commission brought in Mr. William Haven, vice president of the U.S.-based Arthur G. McKee Engineering Company.

This led President Vargas, in January 1941, to establish by decree the government-owned Companhia Siderúrgica Nacional (National Steel Company). It selected as its site Volta Redonda, which was on a bend on the Paraiba River, situated 90 miles from Rio de Janeiro and 200 miles from São Paulo. High-grade iron ore would be brought in from mountains of billions of tons

of such ore, located in Minas Gerais state, 240 miles away. It would utilize Brazilian and American metallurgical coal, used for coking. It would use manganese, limestone, and dolomite, all obtained from within a reasonable radius of the plant. This required the total upgrading of, as well as building of new railroads, as cited earlier in this report.

Despite its enthusiasm, Brazil hit a roadblock: it did not have the capital investment to build the plant. Brazil's Minister of Foreign Affairs, Oswaldo Aranha, was sent to Washington in 1939, where he met with Undersecretary of States Sumner Welles. The two then met with Federal Loan Administrator Jesse Jones. By September 1940, an agreement was hammered out: The United

States Export-Import Bank would lend Brazil \$45 million out of the total \$65 million of the plant's total construction costs—two-thirds of the total cost. The loans would become effective March 22, 1941.

This enabled Brazil to start purchasing in the United States all the capital goods for the plant: heavy machinery and equipment to build coke ovens, blast furnaces, an open-hearth plant, a blooming mill, a rail and structural mill, a plate mill, and hot- and cold-strip mills. The abundant electric power would be supplied to the plant by the Brazilian Traction, Light and Power Company, the company where the American hydraulic engineer, Asa White Billings was a leading force.<sup>10</sup>

### Measureless Pride

It is difficult to put into a measure the pride that Brazilians felt on building this plant. On May 7, 1943, President Getúlio Vargas delivered a speech at Volta Redonda itself, saying:

In the presence of an undertaking of the magnitude of the one we are carrying out here, I cannot conceal my patriotic enthusiasm and my confidence in the capacity of Brazilians. . . . The mean-



*On first visit of a sitting American President to Brazil, FDR meets with President Vargas in 1936.*

ing of this picture to us is that our eyes behold the final milestone in the economic emancipation of our country. Here it is, solidly built in concrete and iron, challenging skeptics from any quarter, the mentality of public opinion that persists in favor of a semi-colonial solution, the pressure of industrial countries [other than the United States] that are interested in keeping us on the level of mere suppliers of raw materials and consumers of manufactured goods! . . . Even the stubbornest agrarian conservatives realize that it is unthinkable that we should go on depending upon the importation of machinery and tools when a hoe, that indispensable and elementary instrument of agriculture, costs the farmer 30 cruzeiros [\$1.50], that is to say, an entire week's labor on the basis of the prevailing wage. . . . The Volta Redonda mills are planned to increase production up to a million tons a year. . . . The fundamental problems of our economy will soon be on a new basis. The semi-colonial agrarian economy, importer of manufactures and exporter of raw materials, will be able to meet the exigencies of an autonomous industrial life, providing its own most urgent defense and equipment needs.

He added:

10. Rogers, Edward T., "Brazilian Success Story: The Volta Redonda Iron and Steel Project," *Journal of Inter-American Studies*, Vol. 10, No. 4, Oct. 1968, pp 637-652, and Cooke, *Brazil on the March*, pp. 236-237.



This industrial city will not only be a milestone of our civilization, but also a monumental testimonial of the capacity of our people—an example so salient as to eliminate any doubt or apprehension for the future, instituting, as it will, a new standard of living, and a new mentality in our country.<sup>11</sup>

Brazil built an entirely new city, an industrial city, in Volta Redonda.

In June of 1946, the blast furnace, the open-hearth furnace, and the blooming mill were complete, and put into operation. In 1947, although compelled to operate at approximately 50% of capacity due to the fact that several of its units had not been completed, it was still able to produce 145 tons of steel ingots; by 1951, it was producing 465 tons of steel ingots, and would later reach nearly one million.<sup>12</sup>

This is the Good Neighbor Policy. All the different comprehensive plans were integrated into a single mission. The U.S. was transmitting scientific-technological packages and infusing them directly into the Brazilian economy. This is the cornerstone of the Bretton Woods system.

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## II. Developing All of Ibero-America

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With Brazil as the spear-head and paradigm, the U.S. set out to develop the industry, agriculture and infrastructure of all of Ibero-America.

Franklin D. Roosevelt created the U.S. Export-Import Bank by Executive Order 6581 on February 2, 1934. The Bank raised its capital by selling the vast majority of its preferred stock to the Reconstruction Fi-



*FDR jokes with President Vargas during an inspection tour of the Army, Navy, and Air Forces in January 1943.*

OWI

nance Corporation, so it was a division of the RFC. The RFC, under Roosevelt's design, had acted as a Hamiltonian national banking institution; it extended the largest share of directed credit of any financial institution to the U.S. economy between 1933 and 1945, in particular to Roosevelt's New Deal of 1933-38, and the economic mobilization for World War II of 1939-44. The Ex-Im Bank's mandate was to "assist in financing and facilitating U.S. exports of goods and services." Following the RFC's domestic direction, the RFC's Export-Import Bank served as a positive foreign policy instrument of the United States.

It would play a critical role in the development of other Ibero-American countries.

In 1937, Ex-Im Bank president Warren Pierson championed a 50% financing of locomotives of the government-owned railroads of Chile. In 1938, the Ex-Im Bank helped finance loans for the improvement of the Central Railway of Brazil, even though Brazil had not made arrangements to compensate American bondholders for its earlier default on Brazilians bonds.

In July 1940, Roosevelt called for increasing the Ex-Im Bank's financing authority from \$200 million to \$700 million (which would be about \$15.4 billion in today's dollars). The Congress acceded to his request in

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11. Cooke, *Brazil on the March*, pp. 54-56.

12. Rogers, Edward T., "Brazilian Success Story: The Volta Redonda Iron and Steel Project."

September 1940, and so the Export-Import Bank had a significant amount of money it could use, and it could leverage those funds by asking private investors to join in FDR's selected projects.

### Outreach

At the outbreak of World War II in 1939, many Ibero-American nations were cut off, in part or wholly, from European markets, damaging their economies. The Ex-Im Bank extended lines of credit to nations' central banking authorities to prevent these nations' financial systems from fatal crashes: It extended lines of credit to Argentina (\$60 million), Brazil (\$25 million), Peru (\$20 million), Uruguay (\$5 million), and smaller sums to Cuba and Costa Rica.

At the same time, credit was extended for public works programs. Loans went to Cuba, Mexico, and Panama for road-building projects. Argentina received loans to purchase equipment for its railways and for building two dams. In addition,

Bank assistance to programs to diversify agriculture programs in Venezuela, Colombia, Bolivia and Ecuador provided funds to improve food supplies, lessening the need for imports. These credits likewise promoted projects to expand the productive capacity of strategic materials, such as rubber, metals, fibers, and plants needed for medicines.<sup>13</sup>

### Ibero-America's Development Corporations

A new step in development was taken in the period 1939-42: Ibero-American nations formed *fomento* corporations; *fomento* means development. These were dirigist corporations, under the sovereign control of each republic, which set an agenda of development projects for industry, agriculture and infrastructure that the corporations would finance to ensure development. In all cases, these corporations received funding from the U.S. Export-Import Bank.

This constituted an interesting chain, the Reconstruction Finance Corporation's Export-Import Bank funneling funds to Ibero-American countries' republican institutions, *fomentos*, whose specific purpose

was these nations' development.

These included the Chilean *Corporación de Fomento de la Producción de Chile (CORFO)*, the Colombian *Instituto de Fomento Industrial*, the Haitian *Société Haitiano-Américaine de Développement Agricole (SHADA)*, the Cuban *Development Commission*, the Ecuadorian *Corporación Ecuatoriana de Fomento*, the Peruvian *Corporación Peruano de Amazonas*, and the Bolivian *Corporación Boliviana de Fomento*.

In the course of this, for example, the Ex-Im Bank extended low-interest credits to Colombia's Instituto de Fomento Industrial to build a tannin plant, a plant for milk pasteurization, a company to expand the sugar industry, a sulphuric acid plant, and a plant processing salt derivatives.<sup>14</sup>

All told, the Export-Import Bank extended, in today's dollars, billions of dollars of low-interest credits.

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## III. The Aborted Inter-American Bank & Bretton Woods

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In 1937, the U.S. Export-Import Bank increased its role in directed financing for Ibero-America's development. In that year, Ex-Im Bank president Warren Pierson pushed through financing of locomotives for the government-owned railroads of Chile. In 1938, the Ex-Im Bank financed loans for the improvement of two rail lines in Brazil—the Central Railway of Brazil, and the Sorocabana Railway of Brazil in the state of São Paulo. It was anticipated that Brazil would ask for a large Ex-Im loan to build the Volta Redonda steel mill, for which the government had worked out plans by the end of 1938.

At the same time, U.S. Ex-Im Bank loans went to Cuba, Mexico, and Panama for road-building projects. Argentina received loans to purchase equipment for its railways and for building two dams. Other Ibero-American republics indicated projects that they wanted to build, requiring additional funding. The type, and frequently the specific characteristics of the projects, and their technological role in the overall development of the country, were known. They multiplied the financing need.

The increasing density of Ibero-American physical-

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13. Becker, William H., and William M. McClenahan, Jr., *The Market, the State, and the Export Import Bank of the United States, 1934-2000*, Cambridge University Press, Cambridge, England, and New York City, 2003.

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14. Soule, George, David Efron, and Norman T. Ness, *Latin America in the Future World*, Farrar & Rinehart, Inc., New York and Toronto, 1945, pp. 273-285.

technological projects compelled Henry Dexter White, then U.S. Treasury Department Director of Monetary Affairs (and later Assistant Secretary of Treasury), to innovate. He came up with a brilliant idea, which had direct bearing on Bretton Woods. He reasoned, *instead of the U.S. Export-Import Bank handling this exclusively, why not build a multinational institution, composed of the U.S. and Ibero-American sovereign republics, that would construct a Hamiltonian credit institution, an Inter-American Bank, to finance these projects, while constructing a new credit system for the Americas?*

White, who wrote the proposal for an Inter-American Bank, also wrote the majority of the Bretton Woods accords: Sovereign republics of the whole world would form a Hamiltonian credit institution to finance such physical-economic projects everywhere. Thus the conception of this side of Bretton Woods came directly from a proposal of the Good Neighbor Policy of a few years earlier.

The seed crystal was enclosed in a draft proposal White wrote on June 6, 1939, called, “Loans to Latin America for the Industrial Development of Latin America.”

Because of the importance of this proposal, we present some sections from it:

1. Latin America presents a remarkable opportunity for economic development. Only capital and technical skill are needed to develop the area so that it could provide for a much larger population, for a higher standard of living and a greatly expanded foreign trade.

2. If Latin America could obtain sufficient capital under favorable terms and conditions and if that capital could be devoted exclusively to productive development of the various countries, Latin America could within a generation become a prosperous and friendly neighbor and a great market for American products. It is quite within the realm of possibility that if properly developed our economic relations with Latin America could become within a generation as important as our economic relations with the rest of the world combined.

3. We have now a surfeit of both the capital



Ex-Im Bank

*Dr. Raúl Prebisch and Warren Lee Pierson sign a loan agreement to Argentina on December 11, 1940.*

and technical skill that Latin America so badly needs. To raise Latin America from its present status to that of a progressive, prosperous neighbor calls for a bold program conceived and executed in a spirit appropriate to the possibilities and involving economic aid in amounts commensurate with the task and provided under conditions consonant with our Good Neighbor policy. Each of the countries to the south of us have, of course, their special problems and economic assistance to each of them will vary in form, amount, terms and conditions. Yet all of the Latin American countries have in common the one handicap which we can remove to our mutual advantage, i.e., shortage of capital and technical skill. . . .

### **Thinking Into the Future**

White gave features of the Bank’s proposed operations:

*What can we do about it now?*

Create by legislation a government Bank whose sole function should be to assist in promoting the long-run economic development of Latin America.

The bank should have a capital of \$300 million in common stock, purchased entirely by the

government, with the power to issue \$700 million in bonds guaranteed by the government as to interest and principal. The bank would have the power to issue an additional billion dollars in guaranteed bonds as the need arose. The purchase of common stock of \$300 million might come out of the gold profit now in the Stabilization Fund or out of the \$1.5 billion unissued silver certificates. Thus it would not involve an increase in the deficit.

The most important type [of loan] would be in the form of long-term loans for productive purposes. Loans in general should be devoted to domestic rehabilitation programs, including public works, creation of new Industries and the modernization and expansion of existing Industries. The program selecting the types of Industries to be encouraged should be worked out by a joint planning board.

The above program is not dollar diplomacy.... The program is completely in the spirit of democracy for the objective of the mutual advantage of the United States and Latin America.<sup>15</sup>

This echoes Franklin Roosevelt's July 1928 *Foreign Affairs* article, which took apart dollar diplomacy.

The Inter-American Financial and Economic Advisory Committee was formed by the Foreign Ministers of the Americas on Oct. 3, 1939. U.S. Deputy Secretary of State Sumner Welles, who was supporting the current Inter-American Bank proposal, and a leading member of Roosevelt's "team," chaired this Committee.

In May 1940, Sumner Welles for the United States, strongly joined by Mexico and seven other Ibero-American nations—Bolivia, Brazil, Colombia, the Dominican Republic, Ecuador, Nicaragua and Paraguay—signed a Convention to create an Inter-American Bank.<sup>16</sup>

In 1941, President Roosevelt submitted to the

Senate for ratification the Convention for the Establishment of an Inter-American Bank (IAB). It was written by Harry Dexter White, with perhaps some input from Sumner Welles, and members of the Roosevelt "team." There is a very clear presentation of the Bank in "Section 5. Purposes and Powers," which states:

A. The Bank is created by the American Republics to carry out the following purposes:

(1) Facilitate the prudent investment of funds and stimulate the full productive use of capital and credit.

(2) Assist in stabilizing the currencies of American Republics; encourage general direct exchanges of the currencies of the American Republics....

(3) Function as a clearing house for, and in other ways facilitate, the transfer of international payments....

(5) *Promote the development of industry, public utilities, mining, agriculture, commerce and finance in the Western Hemisphere.*

(6) Foster cooperation among the American Republics in the fields of agriculture, industry, public utilities, mining, marketing, commerce, transportation, and related economic and financial matters.

(7) *Encourage and promote research in the technology of agriculture, industry, public utilities, mining, and commerce.* (emphasis added)<sup>17</sup>

What was going on underneath the Inter-American Bank proposal, was a beehive of rich, advanced development of anti-entropic scientific-technological transformation.

The City of London and Wall Street, terrified of a rising Ibero-America, mobilized all out—against the Bill. The Bill never made it out of the Senate Foreign Relations Committee. It was killed in 1941, ultimately blocked by Wall Street economic hitman W. Randolph Burgess, Vice President of National City Bank of New

15. White, Harry Dexter, "Loans to Latin America for the Industrial Development of Latin America," June 6, 1939, Harry Dexter White Papers, in the Seeley G. Mudd Manuscript Library.

16. The proposal for an Inter-American Bank was a hot item of discussion in Ibero-America. In 1939, at a meeting in Guatemala of Finance Ministers of the Americas, Mexico's Eduardo Villaseñor submitted a detailed proposal for the creation of an Inter-American Bank, which he proposed, should "act as a channeling agent for investment capital intended to foment the economic development of the different countries of the Americas," reported Stephen Macekura and Erez Manela, in their book, *The Development Century: A Global History*.

17. "Convention for the Establishment of an Inter-American Bank," submitted by U.S. Secretary of State Cordell Hull on behalf of President Franklin D. Roosevelt to the May 5 and 6, 1941 hearings held by the Subcommittee of the Senate Foreign Relations Committee, on that convention. It can be found in "Hearings before a Subcommittee of the Committee on Foreign Relations, United States Senate, Seventy-Fifth Congress, First Session, May 5 and 6, 1941," U.S. Government Printing Office, Washington, D.C., 1941.

York, who had told Treasury Secretary Morgenthau as early as May 1940, that he preferred to see central banks, such as the U.S. Federal Reserve, buy up and own the proposed Inter-American Bank's stock, and appoint its directors, as in the case of the [pro-Nazi] Bank for International Settlements. Thus, the IAB would be turned into its opposite.

Though the City of London and Wall Street bankers won the battle, they lost the war. Three years later, Harry White, who had forged the underpinnings of the Inter-American Bank in the crucible of the battle to scientifically and technologically transform Ibero-America, would bring it back, in expanded form to the 1944 conference at Bretton Woods, New Hampshire. There is an indispensable continuity between the thinking and principle behind the Inter-American Bank and Bretton Woods.

The losing fight was worth it to establish the principle.

### The Process Toward Bretton Woods

This upwelling of a new physical principle of development and the science and technology transfer to Ibero-American republics, embodied in the U.S. Technical Mission to Brazil, included the building of new railways, including perhaps the advanced step of electrifying them; the constructing of complexes of innovative and mighty hydro-electric dams; finding better ways to produce alumina from bauxite; the building of a revolutionary steel complex at Volta Redonda in the heart of Brazil; the advanced sector nations conceiving and applying the same scientific-technological principles to transform and upgrade themselves; reconstruction of the European nations and Japan after a devastating war; and the United States, among other nations, converting its war machinery to producing the most advanced machine tools and capital goods to scientifically transform the world.

These are in totality the content and spirit of Roosevelt's 1944 Bretton Woods system. They are the cardinal ordering, the predominant reason, that the Bretton Woods system was created.

That is the real intent, based on the principle of the future guiding the present, of the Bretton Woods. Roo-



*John Maynard Keynes addressing the Bretton Woods Conference, July 1944.*

sevelt and his team fashioned a multilateral institution, comprised of sovereign republics, all equal, that would deliver on the policy of scientific-technological transformation, of which the Good Neighbor Policy, from 1936 to 1944, was a first installment.

### The All-Out War Called Bretton Woods

The Bretton Woods Conference from July 1 to July 22, 1944 accomplished much good, within a context that was an all-out war. This full story, which was quite eventful, will be covered in a forthcoming *EIR* article.<sup>18</sup>

But a few indications of the significant impact on the conference of the Good Neighbor Policy and U.S. Technical Mission to Brazil can be presented here.

Nineteen countries of Ibero-America—Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela—were invited to Bretton Woods, out of a total of 44 nations in attendance.

18. Roosevelt used the successful method of the Good Neighbor Policy and the U.S. Technical Mission to Brazil for the United States' plan for development of Russia, China and India. In 1933, the first year Roosevelt was in office, a report was written titled, "A Good Neighbor Policy for Russia." One Roosevelt administration proposal in the 1940s called for a \$10 billion post-war development loan to the Soviet Union, which would be \$220 billion equivalent in today's dollars. The U.S. had ambitious plans for China, using Sun Yat-Sen's "International Development of China," as a touchstone. The U.S. sent a Technical Mission to India, parallel to that Mission to Brazil. There were development plans for other Asian nations.



That is 43%. The number of Brazilian delegates to the Bretton Woods conference (13) were the fourth most, behind only the United States (45), China (33) and Britain (15). Brazil, where the U.S. Technical Mission had been collaborating with Brazilian patriots in 1942-1943, had only two fewer delegates than imperial Britain, and more than every other European country. There was a reason.

Roosevelt had stacked the conference with the development oriented Ibero-American nations, which not only knew well the content of Roosevelt's policy, but had played a critical role in developing it. The British went nuts. John Maynard Keynes, a genuine fascist and an officer of the Eugenics Society, and the head of the British delegation, wrote in 1944, that:

Twenty one countries have been invited [to Bretton Woods] which clearly have nothing to contribute and will merely encumber the ground, namely Colombia, Costa Rica, Dominica, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Liberia, Nicaragua, Panama, Philippines, Venezuela, Peru, Uruguay, Ethiopia, Iceland, Iran, Iraq, Luxembourg. *The most monstrous monkey-house assembled for years.* To these might be perhaps added: Egypt, Chile, and (in present circumstances) Yugoslavia. (emphasis added)<sup>19</sup>

Keynes wanted 14 Ibero-American nations effectively excluded.

Keynes had wanted private meetings to be held between the British and U.S. delegations to the conference, without any other nation present, where a joint policy would be worked out, through which Keynes sought to preserve the British Empire in modified form. Henry Dexter White, one of America's leading delegates, who helped formulate U.S. policy, rejected that.

A taste of the Bretton Woods accomplishment and direction can be gained by looking at the purposes stated in the World Bank's (officially the IBRD, the International Bank for Reconstruction and Development) founding Articles of Agreement. Article I of the Agreement states:

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19. *The Collected Writings of John Maynard Keynes*, London, Macmillan Publishers; New York, St. Martin's Press, for the Royal Economic Society, 1971-89; Vol. 26, p. 42.

The purposes of the Bank are:

(i) To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries.<sup>20</sup>

Further, in Section iii, it calls for taking actions in—particularly less developed—countries “by encouraging international investment of the productive resources of members, thereby assisting in raising their productivity, the standard of living, and conditions of labor.”

This directed credit was to be extended intensively all over the world.

This reflects the Roosevelt administration's total outlook, including, in particular the Good Neighbor Policy and 1942-43 Mission to Brazil. This is Roosevelt's tradition. But you, the reader—this is your tradition, as well.

Today, most discussions of Bretton Woods center on monetarist issues, revealing that these “analysts” don't know what they are talking about. Roosevelt's intention, as also that of White, Cooke and other key collaborators, was always characterized by a commitment to scientific-technological transformations of the economy, led by the transfer of scientific-technological packages and machine tools to other nations, and the employment of the same in one's own country. This is all to be driven by a Hamiltonian credit system, employing a fixed exchange-rate system. This is the single most important reason that the Bretton Woods conference was convened and that a new system was formed.

At the heart of understanding the true Bretton Woods system, is the scientific-technological physics of it, as Lyndon LaRouche has uniquely explored and developed. It presents a challenge to each of us. This is the underlying method required today.

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20. *Articles of Agreement: International Monetary Fund and International Bank for Reconstruction and Development*, U.S. Government Printing Office, 1945, p. 51.