

New Understanding of the Bretton Woods Agreements Opens the Door to the Four Powers Dialogue

by Gerry Rose

We present here an edited version of Gerry Rose's presentation to the weekly LaRouche PAC National Town Hall Webcast of May 2, 2020. The video can be viewed [here](#). Subheads and embedded links have been added by Mr. Rose.

There have been three works recently produced on the Bretton Woods system—one in 2014, called *Forgotten Foundations of Bretton Woods: International Development and the Making of the Post-War Order* by Eric Helleiner; another brilliant [study](#) by Richard Freeman in *EIR*, “The Good Neighbor Policy and Brazil: Roosevelt’s Bold Creation of the Anti-Entropic Bretton Woods System,” on how in fact the United States worked with Brazil in the period of 1941-44; and a third [study](#) by Paul Gallagher, “LaRouche’s Physical-Economic Method and a New Bretton Woods System,” also in *EIR*, comparing the performance of the U.S. economy from roughly 1935, under Franklin Roosevelt, up until 1975, with the next period following the end of the Bretton Woods system. The history, documentation and arguments contained in these three works make an irrefutable case for a return to the Bretton Woods!

What is stunning about these three works is that they provide a fundamentally new way of understanding the implications of the 1944 Bretton Woods Agreement. Both Helleiner and Freeman present for the first time the irrefutable evidence that what was intended by FDR for Bretton Woods was the end of all British colonial methods and the rapid development of the former European colonies, in a global partnership of sovereign nation-states.

Helleiner and Freeman also demonstrate that this pro-development policy was derived from the American school of economics, of Alexander Hamilton, Friedrich List and Henry Carey. These two works put together the documentation in a way that it has never been put forth before. This has enormous implications. Bretton Woods was supposed to be predominantly an anti-colonial return to development economics based



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President Franklin Roosevelt delivered his Four Freedoms speech as his annual State of the Union Message to Congress, on January 6, 1941.

on the Hamiltonian sovereign issuance of credit for industrialization for every nation of the planet. Or, as Roosevelt repeated in his 1941 *Four Freedoms* speech, “Everywhere in the world! You think not! Think again!”

A Present Difficulty

One difficulty which arises today in discussing these matters is reflected in informal discussions, which *EIR* representatives have conducted over a number of years with leaders from China and Russia. Representatives of

these nations have pointed to how the Bretton Woods system—and the domination of the dollar within that system—was used post-1945, to exploit poorer nations and systematically prevent economic development. They also point to the undeniable fact that the Bretton Woods system was used by Churchill and Truman against China and against Russia, as part of the Cold War. All of this has created skepticism, particularly in Russia and China, as to the wisdom of returning to a Bretton Woods approach.

Additionally, among many poorer nations, the IMF and the World Bank, institutions created at Bretton Woods, are today synonymous with brutal conditionalities and British liberal free trade. These current-day practices are actually the exact opposite of Roosevelt’s design.

The staggering importance of the three works cited above is that they blow apart the *myth* that the Bretton Woods agreement was an instrument of the Cold War! It was the exact opposite of that! Roosevelt’s design was all inclusive, and if Roosevelt had lived and his original intention had been followed, it is clear both Russia and China would have been part of the Bretton Woods arrangement.

As should become clear to you in reading through this article, Roosevelt, and his allies, insisted on a Grand Design for Development for every nation on the planet. It was in the years following the death of Roosevelt and the targeting of and removal of his allies, that the actual original content of Bretton Woods was erased from memory.

LaRouche’s Insight

Lyndon LaRouche, in a 1997 [paper](#) titled, “Overthrowing Axiomatic Assumptions,” identified that Bretton Woods was not a set of rules,—it was an intention, one clearly understood by Roosevelt, to end British free trade and British (and French, Dutch, Portuguese and Spanish) colonial methods.

Today, if we are going to successfully navigate our



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Assistant U.S. Treasury Secretary, Harry Dexter White (left) and John Maynard Keynes, honorary advisor to the U.K. Treasury, at the inaugural meeting of the International Monetary Fund’s Board of Governors in Savannah, Georgia, March 8, 1946.

way out of the current world crisis, there’s going to have to be what Lyndon LaRouche called a “Four Powers agreement.” That agreement has to be pivoted on a new world monetary and economic system, and a fundamental revolution in our idea of wealth. This will require a return to Franklin Roosevelt’s original intention at Bretton Woods.

What Eric Helleiner does in *Forgotten Foundations of Bretton Woods*, is to demonstrate that what happened between 1941 and 1944, and what happened at the Bretton Woods conference in 1944, was all anchored in Franklin Roosevelt’s commitment,—a commitment to end colonial rule globally. Roosevelt knew, because of his role in World War I, as well as in the events leading to World War II, that both of those wars were caused by British imperial interest.

He knew that, and he unambiguously stated that, as his son, Elliott, discusses in his book *As He Saw It*. Elliott Roosevelt was an eyewitness to the major negotiations between Roosevelt, and Churchill and Stalin.

The clarity with which Helleiner develops the actual intention of the Bretton Woods negotiations will come as a revelation to readers today. The three cited reports, taken together, expose the phony history that the Bretton Woods system grew out of a “discussion among equals” between Harry Dexter White and John Maynard Keynes.

Even Ben Steil’s sycophantish book, *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order*, reveals that the American delegates Henry Morgenthau, Jr. and White imposed on the British Empire the dominance of the dollar and gold, directly against British insistence that there be no international arrangement which did not recognize the British Empire, as it then existed under British policy dominance. The British were determined to maintain the inviolability of the “Sterling Bloc,” which set imperial preferences that no international agreements for credit and exchange controls could violate. Such “untouchable” British prerogatives

all ended at Bretton Woods,—but that was part of Roosevelt’s larger plan from the beginning!

Roosevelt’s Plan

One of the most stunning interventions ever made by an American President was taken by Franklin Roosevelt in 1941. It is important to realize the context of this intervention. The German *Wehrmacht* had overrun France, it had overrun most of Europe, the Russians were retreating, and Britain was being bombed. At the nadir of this crisis, Roosevelt made a speech to the nation, later to be remembered as the “Four Freedoms” speech. It was the State of the Union speech.

Roosevelt knew that most likely the United States was going to get into a war very soon. The “Four Freedoms” speech provides a very precise insight into his thinking at that time. It is very reminiscent of Lincoln’s Emancipation Proclamation, in the sense that any sane nation, having a war forced upon it, has to define a mission worthy of the sacrifices that a great people will be called upon to make.

Roosevelt says:

Certainly this is no time for any of us to stop thinking about the social and economic problems which are the root cause of the social revolution which is today a supreme factor in the world.

For there is nothing mysterious about the foundations of a healthy and strong democracy. The basic things expected by our people of their political and economic systems are simple. They are:

Equality of opportunity for youth and for others.

Jobs for those who can work.

Security for those who need it.

The ending of special privilege for the few.

The preservation of civil liberties for all.

The enjoyment of the fruits of scientific progress in a wider and constantly rising standard of living.

These are the simple, basic things that must never be lost sight of in the turmoil and unbelievable complexity of our modern world....

Then—I’m skipping a little bit here—at the end of his speech, he discusses the Four Freedoms:

The first is freedom of speech and expression—everywhere in the world.

The second is freedom of every person to worship God in his own way—everywhere in the world.

The third is freedom from want—which, translated into world terms, means economic understandings which will secure to every nation a healthy peacetime life for its inhabitants—everywhere in the world.

The fourth is freedom from fear....

This was not empty rhetoric, because what Roosevelt did, is he took these Four Freedoms, and he rammed them down Winston Churchill’s throat. He knew he was going to be meeting Churchill in August



The “Four Freedoms” are cut in stone at the Franklin Delano Roosevelt Memorial, Washington DC.

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1941, in Argentia Harbor off Placentia Bay, Newfoundland, and what he insisted upon was that the United States would not join Britain in any war, unless it signed on to the Four Freedoms. FDR knew quite well that the British were the major perpetrators of two world wars, and the colonialist insanity that led to those two wars, World War I being explicitly about who got what colonies; and the second war was a follow-on to the first, with the British actually funding Hitler. That’s another story. But Roosevelt knew all of this. And he told Churchill at Argentia:—You will sign the Atlantic Charter, and we will hold you to it.

Ending the British Empire

Now, I want to read a second piece to give you a sense of what this was really about. These quotes are from *As He Saw It*. This, in my opinion, could be produced as a play. Elliott Roosevelt was quite insightful.

Here is his capture of the confrontation at Argentia in August 1941 of Franklin Roosevelt with Winston Churchill over ending the British Empire:

“Of course,” he [FDR] remarked, with a sly sort of assurance, “of course, after the war, one of the preconditions of any lasting peace will have to be the greatest possible freedom of trade.... No artificial barriers.... As few favored economic agreements as possible. Opportunities for expansion. Markets open for healthy competition.”... Churchill shifted in his armchair. “The British Empire trade agreements,” he began heavily, “are—”

Father broke in. “Yes. Those Empire trade agreements are a case in point. It’s because of them that the people of India and Africa, of all the colonial Near East and Far East, are still as backward as they are.”

Churchill’s neck reddened and he crouched forward. “Mr. President, England does not propose for a moment to lose its favored position among the British Dominions. The trade that has made England great shall continue, and under conditions prescribed by England’s ministers.”

“You see,” said Father slowly, “it is along in here somewhere that there is likely to be some disagreement between you, Winston, and me. I am firmly of the belief that if we are to arrive at a stable peace it must involve the development of backward countries. Backward peoples. How can this be done? It can’t be done, obviously, by 18th-century methods. Now—”

“Who’s talking 18th-century methods?”

“Whichever of your ministers recommends a policy which takes wealth in raw materials out of a colonial country, but which returns nothing to the people of that country in consideration. *Twentieth-century* methods involve bringing industry to these colonies. *Twentieth-century* methods include increasing the wealth of a people by increasing their standard of living, by educating them, by bringing them sanitation—by making sure that they get a return for the raw wealth of their community.”

Then Churchill goes wild, and the next day, Churchill says this to Roosevelt:

“Mr. President,” he cried, “I believe you are trying to do away with the British Empire. Every idea you entertain about the structure of the post-war world demonstrates it. But in spite of that ... in spite of that, we know that you constitute our only hope. And *you* know that *we* know it. *You* know that *we* know that without America, the Empire won’t stand.”

So with the Atlantic Charter, which embodies the Four Freedoms, Churchill was forced to sign on the dotted line!

The reason I go through this is that the Bretton Woods system, which was developed in 1944, came out



National Archives

President Roosevelt meets with Prime Minister Churchill in Argentia Harbor in Newfoundland. FDR insisted that the U.S. would not join Britain in any war, unless it signed on to his Four Freedoms. The result: The Atlantic Charter. Here, they are aboard HMS Prince of Wales, Aug. 14, 1941.

of a series of commitments and intention by Franklin Roosevelt to end colonial rule. There was no question in his mind,—and he had also said as much in other places—that there must be a commitment to develop all countries. Remember his insistence, “anywhere in the world”—*not some, all*—and his Freedom from Want. In one of his speeches in America, he also made a point that every person has an inalienable right to healthcare, which I think is a very critical point.

Roosevelt knew that unless you changed the dominant system of looting raw materials from less-developed countries, and looting their labor to extract those

raw materials—crimes that formed the bedrock of the British Empire—then you would have wars. And he knew the First World War and the Second World War were the product of never having gotten rid of the colonial empires.

The Basis of the Good Neighbor Policy

In 1941 the Axis powers were making moves to recruit certain countries to join them in a postwar Nazi, or Axis world. Roosevelt knew that if you allowed such colonial backwardness to continue, the Nazis would likely succeed. More importantly, as Helleiner demonstrates conclusively, and as does Freeman in a more devastating way, Roosevelt and his team had a profound working knowledge of the principles of American System economics. It was known, in a very precise way, that this was the only basis on which you could end colonialism.

This became clear in very dramatic discussions, both in Cuba and then as it was implemented in Paraguay. Harry Dexter White and his team had discussed with Cuba that for a nation to industrialize, it cannot just be a raw materials producer. It didn't quite work with Cuba, but it did with Paraguay. These countries were absolutely clear that without industry they were at the mercy of British free trade. That's what "free trade" really is, and always has been—the idea that "We set the price, and that's the price you're going to get." That's predatory free trade.

In 2020, our farmers are feeling the effects of that "free trade" policy right now, at the hands of the British-run cartels.

The question was, how to finance industry. In discussions with Cuba, and later with Paraguay, the idea emerged that there would be an Inter-American Development Bank (IDB) and that Inter-American Development Bank would make loans, for infrastructure projects and scientific projects, but mainly for infrastructure, to develop industries in Ibero-American countries.

The issue came up: who should run the bank? And I'm going to read you what Morgenthau said, because Wall Street, quite literally,—and the Federal Reserve—insisted that any bank would be run by a supra-national authority that would determine whether the loans were good or not.

The other thing, by the way, was that if a country owed debt, Roosevelt said "forget it." That's not going to be the basis on which loans were going to be made.

Wall Street insisted, "If they pay off all their debts, then we'll make a loan." Roosevelt said "No, not going to happen."

Now here is Morgenthau talking about the Inter-American Development Bank. He was then Secretary of the Treasury:

Why bother with them [i.e., Wall Street]? They have made their recommendations, and I just don't accept them. We have created an instrument here, and given it enormous powers for good and evil, and for us to turn it over at this stage, to the banking groups, it seems to me we're just going back to all the old evils that we wish to avoid. This bank [the Inter-American Development Bank], if it is successful, if it lives up to the expectations with respect to power, can have a very profound degree of influence on small countries, and whether that shall be democratically used, in the sense to obtain objectives of the government ... or whether it shall be merely a bankers' attempt to use that to serve not only their individual purposes, but the general philosophy they represent [i.e., British, liberal free trade].

So it was very clear that the only path out of colonialism would be the kind of credit system and the kind of stabilization of currency which was allowed by the Inter-American Development Bank, to industrialize economies, create infrastructure in these economies, and in large part create the basis upon which a stable developing country can be what's called a "full-set economy."

This was done. I encourage you to read Richard Freeman's extraordinary article on what we did with Brazil. For Brazil, with an enormous hydroelectric power potential, it was very clear that America's Tennessee Valley Authority project was the template to get out of backwardness.

What's stunning, and it lets you know Roosevelt's commitment as early as 1943, is that the United States made a \$100 million loan to Brazil. Half of it would go for stabilization, and the other half would go for massive infrastructure, particularly in hydroelectric power.

How was all that infrastructure funded? Brazil didn't go to any Wall Street bank to get a loan. It was funded by the Export-Import Bank of the United States (EXIM), in

which the Reconstruction Finance Corporation bought the bonds that EXIM issued for the \$100 million. The only thing that the United States demanded, was that the capital goods and the expertise be gotten from the United States. It was one of these “win-win” cooperation projects. Paramount in the project was physical economic development. As Freeman writes:

The effort of Morgenthau and Harry Dexter White and others was to create a monetary system and an economic system in which each country in Ibero-America could industrialize! This industrialization was the real issue at Bretton Woods, not the stabilization funds for their currencies. It was around the issue of control of the Inter-American Development Bank that the long-term credit would be issued. This control had to be by nationalist governments.... The actual discussion in both places [Cuba and Paraguay] was about stabilizing the currency so that the central Government could issue credit for industrialization.

Freeman goes on to detail the unbelievable rate of growth of Brazil after that. Of the Brazil project, Freeman states:

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.

So there you have it—a very unabashed commitment to ending the colonial methods of the British Empire! If every nation on the planet had its own industrial capability, had its own agricultural capability of a high-technology sort, then no nation would be subject to the free market whims and looting of the British Empire.

At Bretton Woods

I want to conclude with the kind of discussions that took place at Bretton Woods. First of all, Roosevelt and Dexter White brought representatives of 14 Ibero-American nations into Bretton Woods, all of whom had been involved in the discussions and the projects. They were totally committed to this development perspective.

The British, in the words of Lord John Maynard Keynes, called the Bretton Woods meeting “a monkey house”(!), because there were 14 nations from Ibero-America, as well as nations from Africa. The second largest delegation was from China. Up to that point, British racists had never had to negotiate as equals with “colonial underlings.” That’s the way the British thought, but they knew they were outvoted.

Helleiner does us a really wonderful favor by re-



Courtesy of The Mount Washington Hotel & Resort

U.S. Treasury Secretary Henry Morgenthau opens the Bretton Woods International Monetary Conference at the Mount Washington Hotel in New Hampshire, July 1, 1944.

counting that the Central European participants, particularly the Polish central banker Leon Barański, proposed at Bretton Woods that the Danube River become the TVA for Europe. Even more stunning was the delegation from India, which proposed a “Bombay plan,” to create an international board to study where to place TVAs worldwide! This, from India, mind you—still under British rule. That’s what they proposed at Bretton Woods!

In another stunning aspect of the Bretton Woods discussions, China came in with the 1918 program of Dr. Sun Yat-sen, which called for the industrialization of China, focused on railroads, on roadways and water management. They told the other delegates that, were

China a stable, growing economy, it would afford stability for pretty much the whole world. Interesting: this proposal was put forth by the national government of Chiang Kai-shek, but both Mao Zedong and Zhou Enlai, who were not in the Kuomintang, supported it. It was a proposal for international loans, at low interest rates, vectored on infrastructure *per se*,—that’s all it could be used for. Had China’s proposal been taken up, it would have created a China based upon the American System, at that point! Had Roosevelt lived, I think that would have gone through.

So went the actual discussions at Bretton Woods. Many Eastern Europeans were quoting Frederick List and Henry Carey on the need to industrialize every nation on the planet!

Then What Happened?

The second Roosevelt had died, on April 12, 1945, Winston Churchill, and this little, little man Harry Truman, declared the Cold War. And what did they do? They would not use either the IMF or the World Bank,—institutions created at Bretton Woods—to end colonial-



World Bank

Britain’s John Maynard Keynes sabotaged FDR’s intention to use the IMF and World Bank to end colonialism. Here he is addressing the conference, July 4, 1944.

ism as FDR had intended. Instead, they used the IMF and the World Bank, and certain other credit-issuing agencies, to develop Germany and Japan, and because of the Korean War they allowed Japan to re-industrialize. This was all part of Churchill’s Cold War game-plan, and so what got implemented was the exact opposite of what the Bretton Woods system was intended to be.

What happened to Harry Dexter White, FDR’s representative at Bretton Woods? The second Roosevelt was dead, Wall Street and its friends in the media and FBI, red-baited Harry Dexter White. An [EIR article](#) by David Shavin, “When the United States Offered the ‘Belt and Road’ to China,” points out that Henry Wallace, who had been FDR’s Vice President, was in the middle of the agricultural and high industrial programs for China, was also red-baited out. The entire Roosevelt team that was totally committed to the end of Imperial rule and the development of all countries on this planet, industrializing all countries on this planet, was ousted. Wall Street used the Red scare to take out the best of Roosevelt’s team.

What jumps out at you from the three studies reviewed here is the *unfinished business of Bretton Woods*. Our New Bretton Woods proposal must complete the unfinished business of the previous Bretton Woods. But it is critical to recognize that it was all there at the original Bretton Woods, and it was beautiful.



Harry S Truman Library

Winston Churchill, with the help of the little man, Harry S Truman, steered the world into a Cold War, allowing the British to continue to enforce colonialism. Here they are conferring in the Oval Office, during Churchill’s visit to the United States. January 5, 1952.