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An Archival Case Study: Revisiting *The Life and Political Economy of Lauchlin Currie*

BY

Professor Roger Sandilands

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An Archival Case Study: Revisiting *The Life and Political Economy of Lauchlin Currie*

by Roger Sandilands*

** Department of Economics, University of Strathclyde, Sir William Duncan Building, 130 Rottenrow, Glasgow, G4 0GE.*
Tel: 44 (0) 141 548 4367
Email: r.j.sandilands@strath.ac.uk

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Abstract

This paper forms part of a wider project to show the significance of archival material on distinguished economists, in this case Lauchlin Currie (1902-93), who studied and taught at Harvard before entering government service at the US Treasury and Federal Reserve Board as the intellectual leader of Roosevelt's New Deal, 1934-39, as FDR's White House economic adviser in peace and war, 1939-45, and as a post-war development economist. It discusses the uses made of the written and oral material available when the author was writing his intellectual biography of Currie (Duke University Press 1990) while Currie was still alive, and the significance of the material that has come to light after Currie's death.

Keywords: Lauchlin Currie; economic biography; the New Deal; macroeconomic policy; development economics.

JEL Classifications: A11, B25, E50, O10, O54

I had been closely associated with Lauchlin Currie (1902-1993) for almost twenty years, as student and research assistant, before formally embarking on his biography (Sandilands, 1990) in 1987. Though by then nearly 85, Currie was still a senior adviser to the Colombian government, mentally very alert, and even physically fit enough to play tennis daily, and at weekends to hack terraces out of a Colombian mountainside where he experimented with the cultivation of irises. Over the next two and a half years I was able to interview or write to him on any aspect of his life and work on which I needed more information. He also gave me carte blanche to rifle through his extensive archives. My working conditions while in Colombia (June 1987 – January 1988, and June – August 1988) were close to ideal. On weekdays I occupied an office next to Currie's in the Colombian Savings and Loan Institute, and at weekends I freely explored bulging cupboards and filing cabinets at his home.

His is not a household name, even among economists, though it was not always thus. At the launch of the Spanish translation of my biography in Bogotá, Colombia, in November 1990 (the English version having appeared in February), one of the speakers, Rudiger Dornbusch, brought with him a special message for the conference from his colleague Paul Samuelson. With the title 'Tribute to Lauchlin Currie' it read:

> Lauchlin Currie and Alvin Hansen, working through Marriner Eccles and Franklin Roosevelt, were the two economists most influential in converting the original New Deal from a program to reform the institutions of capitalism into a Mixed-Economy system of macroeconomic stabilization. Before there was a Keynesian *General Theory*, Currie was one of the stellar band of economists who urged monetary easing on the Federal Reserve to mitigate and prevent a devastating and unnecessary depression.
>
> The world owes Lauchlin Currie a great debt. Connoisseurs among scholars know how much economic science owes to Currie's originality. On behalf of Harvard

> economists everywhere, on behalf of researchers yet unborn, I proclaim Lauchlin Currie's praises. Hail Caesar! Hail Nestor!
>
> Paul A. Samuelson, M.I.T.

This was gratifying recognition of Currie's many contributions to monetary theory, policy and institution-building in the 1930s.[i] However, Samuelson said nothing of Currie's work in the White House as peace-time and war-time assistant to Franklin Roosevelt, 1939-45, nor of his many years as a development economist since 1949. Currie's relatively low profile among mainstream "Western" economists during these years can perhaps be explained by two considerations.

First, from early 1941 Currie was diverted from strictly economic work into wartime administration: as director of the lend-lease programme to China, 1941-43; as de facto head of the Foreign Economic Administration, 1943-44, where his work was mainly concerned with the procurement of strategic materials and with loan negotiations with British and Soviet officials; and as head of the Allied delegation to Switzerland, January-March 1945, to secure a freeze on Nazi gold deposits in Swiss banks and to bribe the Swiss into denying further shipments of Nazi materiel through Switzerland to Field Marshal Albert Kesselring's army in northern Italy.

Second, after 1949 most of Currie's work was based in Colombia where he was relatively hidden from the mainstream. Though a top adviser there, this was not the same as being adviser at the Fed or the White House. Also, his day-to-day advisory work meant his writings were either in the form of unpublished memoranda designed to influence policy in a timely and effective manner, or academic articles not always sufficiently refined (or orthodox) to be publishable in the more prestigious mainstream journals. A related consideration is that Currie's reputation took a severe knock during the McCarthy era at precisely the time he was carving a new career in Colombia, and it suited some people to spread the notion that he was only there as a fugitive from justice.

It was my hope that a full-scale intellectual biography of Currie's unusual career would help to set the record straight and highlight his many insufficiently appreciated contributions to political economy both in the New Deal and in the field of development theory and policy.

Researching Currie's early years: records and reminiscences

Currie was born on October 8, 1902 in a small fishing village in Nova Scotia where his father had built up a substantial fleet of sailing vessels. But his father died when Currie was only four and his mother, a schoolteacher, moved to the nearby town of Bridgewater. He attended schools in Nova Scotia, apart from two years when his family stayed with relatives in Massachusetts and California. From 1920-22 he attended St Francis Xavier's University before enrolling at the London School of Economics. There his teachers included Edwin Cannan, Hugh Dalton, R.H. Tawney, Sidney Webb, and Harold Laski. After graduating from the LSE in 1925 he moved to the PhD programme at Harvard where his chief inspiration was the legendary Allyn Abbott Young. His other teachers included Frank Taussig, John H. Williams, and T.N. Carver. Unfortunately for Currie, Young was lured to the LSE in 1927 to take over Edwin Cannan's chair of political economy but died suddenly in March 1929 during an influenza epidemic at the early age of 52. Currie was scheduled to be Young's teaching assistant in monetary economics had Young stayed at Harvard. Instead, John H. Williams became his formal PhD supervisor but his research was initially guided by Young.[ii] He was assistant to Young's temporary replacement, Ralph Hawtrey, in 1927-28, and later to Joseph Schumpeter. His PhD thesis, submitted in January 1931, was on Banking Theory and Bank Assets. Here he exposed the fallacies of the real bills doctrine and was one of the very few who at the time blamed Federal Reserve Board policies for the Great Depression. His diagnosis was very similar to that given much later in Milton Friedman and Anna Schwartz's (1963) celebrated monetary history, in which, however, Currie's contributions were ignored (see Laidler, 1993, and 1999, chapter 9).

Currie stayed at Harvard until 1934, producing important papers on monetary theory and policy in the *Journal of Political Economy* and *Quarterly Journal of Economics*. A book on *The Control of the Supply of Money in the United States* appeared in 1934, dedicated to the memory of Allyn Young. Along with Harry Dexter White, his classmate and friend since 1925, Currie urged radical monetary and fiscal activism, the abandonment of the gold standard, increased fiscal deficits and inflationary finance as an escape from depression.[iii] This did not please senior faculty members such as the department chairman, Harold Burbank, nor Gottfried Haberler and Joseph Schumpeter, not to mention Charles Bullock whom Currie described in his unpublished memoirs as ‘a violent reactionary, really, I believe, mentally unbalanced’.

In a letter to me, June 28, 1987, Currie denounced Schumpeter as a ‘mountebank’.[iv] A biographer may nowhere find in the published record such throwaway remarks. Yet this kind of information can cast new light on key events and characters and breathe life into the history. Access to the subject’s other correspondence files, diaries and memoirs also helps of course; but the biographer’s own correspondence and interviews can add greatly to that body of informal information. Most helpful of all is the opportunity to listen to the subject in person and note the tone of voice: bitter or relaxed; mellow or rancorous.

In the case of Schumpeter, a policy nihilist in the depths of depression, one hears Currie relate contemptuously how in his lectures he would suddenly stop in mid sentence, ostentatiously clasp his forehead, pull a paper from his pocket and scribble a note. ‘It was probably his laundry list,’ scoffed Currie. ‘His only solution for depression was to let wages fall. Other than his own, of course. He even voted to reduce the tea ladies’ wages.’ In similar vein Currie would rail against Herbert Hoover’s mean-minded Puritanism that upheld the virtues of ‘fiscal rectitude’ and balanced budgets. (The contrast to his reverential tone when describing Roosevelt’s character could not have been more marked.) Or I would hear him complain ruefully that Haberler, another policy nihilist of the Austrian School, voted against him in a close contest with Harry White for the prestigious Wells prize that would have guaranteed publication of his PhD dissertation.[v]

In these ways the real bills doctrine, the quantity theory, going off gold, deflation, liquidation, mass unemployment, prohibitionism, departmental rivalries and patronage, opportunistic Johnnies-come-lately to intellectual and social fashions (his own Harvard rival Seymour Harris being the most despised example), would no longer be colourless names or dry ideas (except the case for prohibition!).[vi] Instead, when struggling through a vast literature, I would often recall Currie's own vibrant take on the ideas and names that appeared before me. Thus I could fix and organise a mass of material into a more coherent story than would otherwise have been possible. No doubt this also biased my interpretations (usually, but not always, in favour of my subject's case), especially if subsequently I also had the opportunity to discuss the issues with him in person, as I often did. But the reader would surely get a more faithful impression of Currie's life, thought, and character than through a biographer without that advantage.

However, one incidental problem with writing Currie's life at the same time as he was still engrossed in his current writing and advisory work was that he was constantly badgering me to finish work on the early years and get up to date so I could spend more time discussing and helping him with his current work. He was very much a man of action, so "the past is poison" (as he once remarked ruefully, though in a different context) except as it provides useful lessons for today.

Naturally, the accompanying disadvantage of close association is the above-mentioned danger of lack of balance and an overly sympathetic, uncritical account of the subject's life. The biases can be reduced by contacting the subject's surviving friends and enemies. The object is to write biography not hagiography. The danger is clearly greatest, as in my case, when writing about an associate who is still alive and will eventually read the book. In this connection Charles P. Kindleberger (1991), in his *Journal of Political Economy* review of my 'remarkable book about a remarkable economist', commented (after detailing my associations with Currie since graduate days in Canada in 1967):

> The preface emphasizes that Currie has allowed Sandilands complete freedom and that Currie in fact welcomed criticism and called attention to weaknesses. This then is not hagiography. While the account of Currie's life and work is strongly positive,

> there is frequent mention of failures, large and small, and of frustrations and disappointments.

On the other hand, Frank Steindl (1993), in his review for *Economica*, thought my biography too uncritical (especially where I gave a sympathetic account of Currie's advice to the Fed in 1936-37, advice with which Steindl disagreed). He wrote:

> Sandilands's forte is development economics, and so it is not surprising to find errors in his discussion of Currie's monetary analysis, ones against which Currie inveighed... The principal shortcoming of the book, however, is that Sandilands is too much of a disciple. Time and again, Currie was involved in disputes of ideas and analyses of significant import with formidable intellects – Friedman, Harris-Todaro, Hirschman, Keynes, Prebisch – and, with the single exception of one issue of second-order importance, Sandilands cannot have him being wrong! Now, of course, that is difficult to accept. In particular, I showed (*Journal of Monetary Economics* 1991) that Currie's analysis advocating doubling the reserve requirements in 1936-37 was mistaken.

I might defend myself here by noting that while Steindl's position on this latter episode is the majority view, it is not shared by everyone. For example, see Lester Telser (2001) of the University of Chicago, whose work I discuss in Sandilands (2004, pp. 181-3).[vii] Be that as it may, here was a case where Currie had particularly strong feelings, for it was obviously uncomfortable to be blamed for causing a sharp increase in unemployment. We discussed this episode more intensively than any other from the 1930s. Naturally, I heard Currie's case more forcefully than any from the other side. However, I read and presented plenty of criticism, even some from Currie's close friend Walter Salant to whom I showed this chapter (and whom I later interviewed at the Brookings Institution). Steindl cannot complain that the alternative Friedman-Schwartz (1963) position was not given space in my book. Similarly, space was given to the views of Albert Hirschman (Currie's antagonist on planning in Colombia in the early 1950s)[viii], of Michael Todaro on rural-urban migration, Raúl Prebisch on import substitution, and of the ILO and the Sussex School on employment strategies, so readers would be in a position to draw different conclusions from mine or Currie's. As it happens I came broadly to share Currie's views. Endorsement need not be hagiography.

Walter Salant was a friendly critic, and I admit to having been more inclined to contact Currie's friends than his enemies, partly, however, because his friends would usually have had more to say or inside knowledge to impart: for the pre-Colombia (pre-1949) years these included Salant on the New Deal; Richard Goodwin on Currie as a teacher at Harvard and on his attitude toward Schumpeter; Don Patinkin on the Chicago School connection (and for advice on a publisher – he recommended Duke University Press, the publisher of his own book on the Chicago School; Patinkin, 1981); Byrd Jones on Currie's work at the Fed; and the Harvard historian John Fairbank and the veteran columnist Joseph Alsop on wartime China. For Currie's post-1949 Colombian career, I had the benefit of knowing quite well many of his close associates (and had even had brief meetings with two ex-Presidents, Virgilio Barco and Misael Pastrana), having spent 12 extended periods in Colombia between 1968-90.

On Currie's work in the 1930s, Byrd Jones also sent extensive notes from his researches in the 1970s at the National Archives in Washington, mainly on Currie's unpublished Federal Reserve Board memoranda, not all of which were among Currie's own files in Bogotá. The Federal Reserve Board's own archives contain more information on Currie's work, and still more are to be found in the Marriner S. Eccles Papers in the Special Collections Department of the University of Utah libraries where the entry on Currie is the longest in the catalogue. Also useful is Princeton University's Seeley G. Mudd Manuscript Library where the Jacob Viner papers include a considerable correspondence with Currie dating from 1932, and where the Harry Dexter White papers include the important paper (mentioned above and only recently brought to light) that White co-authored with Currie and P. T. Ellsworth on anti-depression policy, January 1932 (Laidler and Sandilands, 2002). Some twenty five of Currie's hitherto unpublished memoranda on monetary theory and policy were recently published in Sandilands (2004), mainly from the 1930s, but with a few from his time in Colombia. They cast fresh light on Currie's influence at the Federal Reserve Board, 1934-39, but these by no means exhaust the extensive information about this period in Currie's own papers.

The bulk of Currie's papers – over 31,000 items – has now been archived in Duke University's Special Collections and Rare Manuscripts Library, as part of their Economists' Papers Project (see Appendix). Time and resources did not allow me to visit the US during 1987-90 while I was writing Currie's biography, though since then I have spent some time in Washington (at the Library of Congress, at Brookings, and in the FBI Reading Room) and in California at the Hoover Institution at Stanford University where most of Currie's China papers are archived. Fortunately, Currie's personal archive in Bogotá was extensive and frankly more than I could cope with properly in the time available for work outside my home base in Scotland. Now that these papers are almost all now at Duke or Stanford Universities they offer an opportunity for future biographers to prove David Reisman (1990) wrong when he described my effort as 'definitive'.

The Washington Years, 1934-45

In June 1934, the US Treasury's special adviser, Jacob Viner, recruited Currie, Harry Dexter White and others to his 'Freshman Brain Trust' to study specific topics related to the New Deal. Currie's brief was to outline an ideal monetary system for the US. In the Princeton University archives is a letter from Viner to Frank Taussig, October 1934, in which he wrote: 'I have had a few Harvard men working for me here, Currie, [Alan] Sweezy, and White, and have been very favorably impressed indeed with them, especially the two former. I think Currie has a tendency to dispose too summarily of arguments and difficulties which stand in the way of his pet ideas, but aside from this by no means rare shortcoming, I think he has an extraordinarily good mind.'

Currie's own correspondence files from the 1930s and 1940s are relatively thin (especially compared to those from early 1950, when he settled in Colombia and had less reason to discard files between moves), but are supplemented by the above-mentioned archives of correspondents such as Viner, White and Eccles. It may well be that Viner's comment on Currie's 'tendency to dispose too summarily of arguments and difficulties' refers partly to the difference in their attitude to the gold standard in 1933 as an obstacle to more vigorously reflationist policies. Viner was one of twelve Chicago economists at the Harris Foundation conference in January 1932 who signed a cable to President Hoover recommending an increase in the free gold of the Federal Reserve System and expansionary open-market operations, 'with the double aim of facilitating necessary government financing and increasing the liquidity of the banking system'.

When in late 1933 President Roosevelt adopted his gold purchase policy with the avowed aim of raising the price of gold and reversing the decline in commodity prices, this was greeted by dozens of prominent economists with well-publicised cries of alarm and a call for a restoration of the gold standard 'to restore confidence'. A letter along these lines to the *Washington Post* on November 4, 1933 was signed by five Chicago economists including three who had signed the Harris Foundation message in January 1932. Viner was not one of the *Washington Post* signatories, though Currie has recalled that Viner was also worried at that time about the implications of radical policies for the gold standard (which Viner wanted to maintain) and avoidance of capital flight.[ix]

Another strong attack on Roosevelt's monetary policies was published in the *New York Times*, November 28, 1933, signed by 38 Columbia economists. They included James Angell (another signatory of the earlier Harris Foundation cable), Wesley Mitchell, J M Clark and H P Willis. It was endorsed by the Austrian economist Fritz Machlup.[x] These attacks prompted Currie and five of his young Harvard colleagues to write to President Roosevelt in an open letter to the *New York Times*, January 25, 1934 (reproduced in Sandilands, 2004, p. 261), in strong support of the gold purchase policy:

> What many authorities did not realize, and what has become increasingly evident, was that the departure from the gold standard was an absolutely indispensable prerequisite to the adoption of your other policies of reform and recovery. Otherwise, every proposal would have been opposed on the ground that it might endanger the maintenance of the gold standard. Any fears that expressed themselves in an outflow

> of capital and an export of gold would have been deflationary in their effects and would have tended to intensify and prolong the depression.

Search the archives and one’s memory of conversations and there are cautionary notes: In a letter to Alan Sweezy (emphasis in original), August 22, 1971, Currie wrote:

> I found the famous letter! I did some head shaking over it, but anyway our hearts were in the right place and our instincts were right, so what more can you ask? Anyway, despite what Walter [Salant] says, the *threat* of a run on gold was present at that time and going off gold (a) removed that threat for the time being (b) gave the ‘man in the street’ a feeling of bold leadership and (c) eased the gold and liquidity situation for many years to come.

Why the head-shaking? The letter to Roosevelt concludes:

> In the foregoing paragraphs, we may seem to have dwelt unduly upon the monetary means for recovery and reform. This emphasis arises from the immediacy of these problems. We would urge in conclusion, however, that we are not believers in the sole efficacy of monetary measures as a cure for our economic ills. Indeed, our primary interest is rather in the direction of your longer range programs for reform and here we feel admiration for the comprehensive view you have taken of the economic structure.

With hindsight, Currie has acknowledged that many of the regulations against big business, which in this letter he appears to have endorsed, were unhelpful to recovery. In a handwritten aide memoir for a 1987 London Weekend Television interview on the Great Depression (among his papers at Duke and reproduced in Sandilands, 2004), he wrote that the recovery programme of the Roosevelt Administration was “at first, rather confused and working at cross purposes. Monetary deflation continued in 1933. The Government sponsored a cost-inflation program called the NRA. Against all this, it had only a slow public works program. When NRA collapsed there was a recession. The mainstay was a cash deficit, but this was officially deplored.” No doubt his 1971 letter to Sweezy was also recalling the uneven pace of recovery, and in particular the sharp downturn in 1937 that he blamed on a failure to understand the need to maintain a steady 'net Federal contribution' to buying power.

Despite or because of Currie's forceful radicalism, Viner not only recruited Currie to his Freshman Brain Trust at the Treasury but also asked him to stay on as his assistant at the end of his initial three-month assignment. However, Currie's request for further leave from Harvard was rejected. This was not unrelated to the January 1934 letter to the *New York Times*. It had incensed Harvard's senior professors. So, with some bitterness, he resigned from Harvard, became a naturalised US citizen, and his three month Washington stint eventually lasted eleven years.

At the Treasury he met and immediately hit it off with Marriner Eccles, another special adviser. When Eccles was appointed Chairman of the Federal Reserve Board in November 1934 he took Currie with him as his personal assistant. Together they drafted the bill that became the 1935 Banking Act that converted the Fed into a true central bank with greatly enhanced powers, including the power to double reserve requirements on commercial banks should this be deemed appropriate. These powers were indeed invoked in 1936-37, supported by Currie, at a time when banks' excess reserves had climbed from around \$50 million in 1929 to \$3 billion in 1936 as gold flowed in from a troubled Europe.

The raising of reserve requirements, as a precautionary rather than a deliberately deflationary measure, has been widely blamed for precipitating a sharp downturn in the economy in 1937. Several important memoranda on this subject in the Currie archives illumine the continuing debate over whether monetary or fiscal influences were mainly to blame for the downturn. Today there is much support for the well-known view of Friedman and Schwartz (1963) that the Fed was to blame: see, for example, Steindl (2004). On the other side, University of Chicago economist Lester Telser (2001 and 2003) has, like Currie, blamed the very sharp fiscal turnaround in 1937 compared with 1936. It may also be that the fiscal tightening was a more important (indirect) influence than the raising of reserve requirements on the deflation of credit and money in 1937.

(See also Sandilands, 2004, pp. 181-8; and the review of Steindl, 2004, in Sandilands, 2005.)

Also revealing on this whole period are Currie's extensive correspondence files from the 1970s and 1980s. These included correspondence surrounding the session that John Kenneth Galbraith organised at the New Orleans meetings of the American Economic Association, December 1971, on 'The Keynesian Revolution and its Pioneers', with contributions from Alan Sweezy, Byrd Jones, Robert Nathan and Leon Keyserling. Other correspondents included Walter Salant, Tom Humphrey and Don Patinkin. A good example is a letter to Paul Samuelson, May 5, 1978, in which Currie clarified the significance of his 1934 book on money, the contents of which Samuelson believed Currie had repudiated as soon as the ink was dry:

> Whoever told you that got the story a bit wrong. The book was specifically on the mechanism of the supply and control of money, and not on prices or incomes or the relative roles of money and the rate of interest. One of the chief findings was that a main determinant of the supply (and hence of control) was the extent of the indebtedness of the commercial banks of the large centers to the Fed. But by the time the book appeared and for a few years afterwards, the banks had an excess of reserves and were not in debt. My finding, valid for the 1920s and again since the late 1930s, ceased to be valid for some years in the 1930s, unfortunately, for me, just as the book was published!
>
> I would have agreed with your pragmatic attitude that the relative importance of money and interest rates changes with circumstances, and go even further and argue that under certain conditions neither may be sufficiently important to matter, which is why I devoted most of my time to deficit spending in the period 1934-39. The replenishment of the money stock in 1934-36 was helpful, as was the continuance of very low interest rates on riskless securities, but the "causal" factor became, for a time, direct spending of old and new money. I don't imagine we would differ on that point.

During his years at the Fed, Currie became the acknowledged leader of the spending wing of the New Deal (see Stein, 1969, p. 165), based on pre-*General Theory* ideas and the development of statistical series on leakages and injections in the circular flow of income – vital for estimates of the size and composition of the federal budget required to arrest and reverse the depression. With this conceptual and empirical series he provided what may have been an original, albeit brief and informal, statement of the "balanced-budget multiplier" concept (and on this too there is considerable retrospective discussion in his 1970s correspondence files, with Paul Samuelson, Walter Salant and others).[xi]

In *Federal Income-Increasing Expenditures, 1933-35,* written in late 1935 or early 1936 with Martin Krost, he reported that any similarity between the "net contribution" and the reported cash deficit was purely coincidental. The reported budget could be in balance while the net contribution was in heavy deficit. Thus there was no necessary conflict between those who wanted a balanced budget and those who wanted the government to provide a stimulus: "By selecting income-increasing types of expenditure and non-income-decreasing methods of raising revenue, it is conceivable that a balanced budget could be maintained and at the same time a considerable stimulus given to business." Investment subsidies, for example, could have a powerful stimulatory effect while a tax on undistributed profits might have only a small negative effect. However, there was no doubt in Currie's mind that the conditions prevailing in the mid-1930s called for much more than a balanced expansion of taxes and spending.

The size of the required deficit, whether in its cash or its "net contribution" form, was calculated according to the size of potential, full-employment income (based on 1928 with adjustments for population and productivity growth) and the size of the leakages from that income that would need to be offset. If deficit finance was a precondition for the recovery of aggregate incomes and expenditures, it was also the main determinant of profits and business confidence. Strenuously opposing this view was Treasury Secretary Henry Morgenthau who believed that deficits destroyed business confidence.

In the fall of 1937, as the economy was plunging into renewed depression, Currie came to FDR’s personal attention when, on the urging of Harry Hopkins, the President met directly with Currie and two other technicians (Leon Henderson and Isador Lubin) for an unprecedented four-hour conference on November 8 in which “Curried-Keynesianism” was explained. *The New York Post* reported the next day that the advisers “minced no words in giving Roosevelt a hard-boiled review of economic conditions and with equal bluntness and vigor they told him that a disastrous recession can only be averted by a resumption of big-scale government spending.”[xii] As Currie later recalled in his New Deal memoirs (Sandilands, 2004, pp. 212-13):

> The President clearly did not understand what had happened to the recovery and was uncertain what to do. At this time he was receiving conflicting advice from many quarters. The conservatives were saying that the recession had been caused by the continued federal deficit (even though at that time the Federal Government was running a small cash surplus) and Morgenthau was influenced by their arguments. They also maintained that the undistributed profits tax was a factor and demanded its repeal. The President's faith in the basic New Deal policy of deliberately increasing a deficit to increase consumer buying power was obviously shaken. In any case, I always suspected that Roosevelt’s adherence to that policy was based more on humanitarian than on economic grounds, despite his statements to the contrary that could be quoted. He was glad to use economic arguments for something he wanted to do on other grounds.
>
> In those circumstances Hopkins, I believe it was, said to him “Mr. President, instead of always talking to the heads of departments, why don't you talk to the boys who actually write their memos and get some first hand dope on what is after all a highly technical matter?” The President assented and it was arranged that Leon Henderson, Isidor Lubin and I should see him. James Roosevelt, who at that time was acting as his father's secretary, included Paul Mazur to represent the Wall Street point of view. The meeting was set for November 8 of 1937 and with very little advance notice I prepared a memorandum which was signed by three of us. Our meeting, my first with the President, lasted an entire afternoon and received much publicity at the time. Unfortunately, the inclusion of Mazur led to much internal disagreement among the

“experts” and the President was again presented with conflicting views. I retained the objective of a balanced budget for 1939 since the fiscal year did not begin until the middle of 1938, and I had various ideas how the budget could be technically balanced while continuing a cash deficit.

The President was obviously very much interested in our meeting and, as always, took a vigorous part in the discussion. I was presented for the first time (although not the last) with the task of reconciling my great respect for the President, which would have led me to keep quiet, and my anxiety to make my point, which impelled me to break in and even differ, as respectfully as I could. That I succeeded in this reconciliation reasonably well in my first meeting was indicated by the President's reaction when my name was suggested to him as one of his new assistants in 1939: “Currie? I remember him well. He can disagree with one without getting red in the face and pounding the table.”

Little tangible resulted from this meeting although probably it had its value in being part of the process by which the President finally made up his mind. Two days later Morgenthau made his then famous budget balancing speech, which, in the circumstances of the times, was widely hailed as a victory for the conservative point of view, particularly in his reference to the Government’s future reliance on “the driving force of private initiative”. With little objection from the Administration, Congress proceeded to repeal the undistributed profits tax. The only recovery measures we advocated that were promptly adopted related to housing, and this was in large part attributable to Eccles’ brilliant manoeuvre in having them accepted and recommended by a distinguished committee of private citizens (see [Marriner Eccles’s] *Beckoning Frontiers*, 1951, 302-303).

As Eccles says in his book, both he and the New Deal program for achieving recovery appeared, in the closing days of 1937, to be in the dog house. Since he was indisposed to try to see the President again for the moment, I decided that the most useful thing I could do was to re-examine the course of events leading up to the recession and present an explanation as well documented as I could make it. The resulting memorandum, on the *Causes of the Recession* was mimeographed and widely circulated and read in New Deal circles.[xiii] It probably had as much influence as anything I wrote in the Government. Although it was the fashion to accuse the Roosevelt Administration of favoring a planned society I argued that our current difficulties arose from the absence of careful planning. The juxtaposition of the payment of the veterans' bonus of $1.7 billion in 1936 (passed over the President's veto) and the beginning of collections of Social Security taxes in 1937 was wholly fortuitous and unplanned. The tremendous and highly disrupting wave of inventorying and then disinventorying was similarly unplanned as was also the excessive advance in building costs.

While this memorandum did much to restore or strengthen faith in the necessity of planning and for the Government to assume more active responsibility for the course of economic activity it left me dissatisfied with my own failure to forecast the severity of the recession well in advance of its occurrence. It was hindsight rather than foresight. It was particularly aggravating because I was aware at the time of the drastic fall in the excess of government expenditures over receipts, of the rise in building costs and of the probable excess of production over consumption, the difference going into inventories. I became aware of the chief mental hazard attached to forecasting – the reluctance to take a strong stand that business is going to be very different than it actually is. I think that in part this reluctance arises not only from a fear of being wrong, but also from an implicit awareness of the absence of reliable and current quantitative data. In the then state of our economic data, one naturally hesitated in taking a strong position which went contrary to existing trends.

Morgenthau continued to oppose proposals to increase deficit spending, but a few months later Roosevelt finally swung in favour of the spenders and the economy pulled out of recession in late spring 1938.

It is widely believed that J. M. Keynes was the key figure in altering attitudes toward the proper role of government in securing full employment in a mainly free enterprise US economy, greatly aided, after 1937, by Alvin Hansen's famous fiscal policy seminar at Harvard (conducted jointly with John H Williams, and attended by the likes of Paul Samuelson, Lorie Tarshis, James Tobin and John Kenneth Galbraith), together with

Hansen's later, equally famous *Guide to Keynes* (1954). The Currie papers appear to uphold Galbraith's view that Currie has a claim to precedence, at least relative to Keynes's *General Theory* (1936), as an intellectual influence on New Deal macroeconomic activism. In an essay on 'How Keynes Came to America', Galbraith (1971, p. 48) noted that 'Currie failed of promotion at Harvard partly because his ideas, brilliantly anticipating Keynes, were considered to reflect deficient scholarship until Keynes made them respectable'. However, the archives reveal that Currie was critical of *The General Theory* when it appeared. Nevertheless, he was happy to invoke its authority in support of policies he advocated on somewhat different intellectual and empirical grounds (the influence of Allyn Young[xiv] was at least as great as that of the early Keynes); and he teamed up with Alvin Hansen to defend activist fiscal policy in their joint testimony before the Temporary National Economic Committee in May 1939 (Sandilands, 1990, 83-7).

In the White House in Peace and War, 1939-45

In June 1939 President Roosevelt phoned the chairman of the Federal Reserve Board. Marriner Eccles (1951, p. 333) recorded the conversation thus:

> "Marriner, I guess you are going to give me hell."
>
> Without knowing what he had in mind, I replied: "Mr. President, I do not know what good it would do to give you hell, even if I wanted to."
>
> "Well," he explained, "I am going to steal Lauch Currie from you. I need him here as one of my assistants." He quickly baited the hook.
>
> "I am sure you will realize," he continued, "that it is not such a bad thing after all as far as the Board and you are concerned. You, of course, see the advantages at once of having a friend in court who can represent and speak for *your* point of view."

Thus in July 1939 Currie joined the White House staff as the President's administrative assistant for economic affairs, a post created in the 1939 Government Reorganization Act as drafted by Charles Merriam and Louis Brownlow. One of the chief qualifications laid down for these advisory posts was 'a passion for anonymity'.[xv] An interesting example of the need for this uncommon passion arose in connection with a March 1940 memorandum on unemployment statistics that he prepared for the President. As Currie recalled this work in his unpublished memoirs (Currie, 1953, pp. 154-7):

> There are probably very few writings on economic matters by Roosevelt extant that are unquestionably his own and reflect his own habits of thought, since the great bulk of them are the result of the collaboration or work of technicians. I happen to have one addressed to me, which is indubitably his own. It reflects so faithfully his particular habit of reasoning from the particular to the general, and throws such an amusing light on his attitude toward his own experts, that it is worth quoting in full. In the Spring of 1940 Dorothy Thompson and Arthur Krock presented estimates of unemployment considerably lower than the official government estimates and this touched off a great controversy. Assuming, of course, that the President was on "our" side and perhaps mildly interested, I sent him a brief memorandum on March 14, 1940 setting forth briefly the basis of the then official estimates of unemployment of between 8.5 and 11.2 million and deriding the unacknowledged source of Krock's estimates, an economist of the Dupont Company.

To Currie's complete surprise he received back from the President a lengthy memorandum expressing scepticism toward all the official estimates and concluding that unemployment was no more than six million. For example, the President asked: 'Are the thousands of women who habitually take a month or six-week job in a retail store around Christmas time unemployed when the census taker arrives in April?' and 'Is my friend the skilled carpenter unemployed because temperamentally he cannot keep a job for more than two weeks – always having a row with his employer or his fellow workmen?' He also asked if his well digger at Hyde Park is unemployed 'even if he makes enough money in two or three months to last him the rest of the year'. After several similar examples, Roosevelt wrote that it seemed that 'what we mean by unemployed in this country are unemployed people who are eager to work and who really need work in order to feed, clothe and house themselves and their families', and he did not believe that 'there are more than six million people in this country who fall into this category'. Already there were four million of these people receiving state aid, so only two million 'ought to have work provided for them in some way as a social and economic need. That's not bad at all.'

'Needless to say,' wrote Currie in his memoirs, 'I guarded this memorandum carefully as a mere intimation of its contents at that time would have been a political bombshell.' He composed a careful reply that classified the President's examples and defended the official estimates. He wrote that he heard no further on the matter. 'I don't imagine that my reasoning carried conviction, as it was probably too abstract for the President, but at least it intimidated him so that he never expressed his heretical views in public.' This of course is another illustration of the importance of archival material for economic and political historians. Currie wrote that the President's memorandum (a copy of which is presumably in the National Archives, though I know of no reference to it in the literature) 'illustrates both his down-to-earth practical type of thinking, and also the weakness of this method to solve certain types of economic problems.'

Another example of Currie's many efforts to educate Roosevelt came in a memorandum on full employment submitted to the President on April 27.[xvi] The preface read:

1. It represents the progress to date of a line of investigation I initiated at the Reserve Board and which is today being carried on by the brilliant group of young economists in Harry Hopkins' office. The basic analysis is that of J. M. Keynes. Since Professor Hansen and I testified along these lines before the TNEC, it has become generally the New Deal economists' diagnosis of and prescription for our economic problem.
2. I have come to suspect that you are somewhat bothered by the apparent conflict between the humanitarian and social aims of the New Deal and the dictates of "sound economics". I feel convinced that in place of conflict there is really complete harmony and for that reason only the New Deal can solve the economic problem.
3. I think you should know the basic economic theory that underlies the suggestions and positions taken by your assistant. In treating special problems I have the basic problem and solutions, as I see it, constantly in mind and

although feasibility and timing must always be given proper weight, I try to fit every specialized problem into the broad program.

4. In connection with the pressure currently being brought on you to call a Conference on Unemployment, my view is very naturally that unless the conference can come out with the diagnosis and type of solution outlined in the attached memorandum it will be fruitless and probably harmful. Unless very carefully selected and stage managed, the likelihood of its so coming out is not promising.
5. You asked me to do some work on the problem of post-war reconstruction. This problem is, however, but one special case of the overall problem of securing and maintaining full employment.

In conclusion, let me say that I don't for a moment think that this type of analysis can be sold politically. Its value lies solely in the proper orientation of our own thinking in developing a coordinated program. The program itself, I think, must be sold on the specific appeal of its component elements.

The memorandum is long but even so is greatly compressed. I should be delighted to go into greater detail on any points that you think are crucial and "unproven". After having had to interview and read the outpourings of numberless cranks and crackpots, I feel a little abashed at coming forward and saying, "I know the answer". I trust, however, that you will make the distinction!

So here are examples of the anonymous backroom advisor quietly informing, educating, persuading and protecting – as the technician (who once described himself as 'inflexibly unenthusiastic' in a 1941 interview) rather than the politician. However, the anonymity rule could not always apply, and Currie's name, photograph, and even cartoon image appeared from time to time in national newspapers and magazines. Shortly after Currie's first official mission to China, Eliot Janeway wrote, in a *Time* magazine article (May 5, 1941) on Roosevelt's diplomatic war against Hitler:

China affords the most concrete example of how Roosevelt proposes to win this [diplomatic] war. Last summer, after the Fall of France, Britain again started appeasing Japan by closing the Burma Road. Chiang Kai-shek asked himself whether the democracies understood in whose interests he was fighting… Then, with characteristic diplomatic indirection, word trickled through to Chungking that it might be profitable to invite Lauchlin Currie, one of the President's most anonymous administrative assistants, to come to China. Currie, the No. 1 U. S. disciple of John Maynard Keynes, is also the No. 1 New Deal economist. He is not a politician. He has the immense prestige, so important in China of a scholar, moreover, a scholar who has taught at Harvard. He has the confidence of the President. He was the perfect choice…

Chiang agreed to call off the civil war long enough to sound out America's latest emissary… What could he lose? If Currie had just come to *talk* friendship, Chiang would find it out when Currie returned to the States. In that case, he could go back to feuding…

Currie's ostensible mission was to give China a budget. But the central government has no income to speak of. It simply prints notes… The average peasant pays 60% of his income (cash and crop) in rent. In return, the landlords, mainly militarists, are supposed to give the peasants police protection. But the militarists pay almost no taxes to Chiang's government. To make his budget, Currie apparently argued that Chiang should stop being a front man for the landlords, and to take them into partnership instead, i.e., tax their incomes. Some of the income could then be routed back to the commodity-starved peasants via a benefit program. Thus inflation, hoarding, the feudal independence of the landlords and the political orphanhood of the peasants would all be attacked at once. It dawned on the Generalissimo that he could overnight become a popular leader on the Roosevelt model if he let the peasants feel that the nationalist war, in addition to being a war for China's freedom, was also a war for social justice.

> One question remained unanswered: could the professor deliver? Until the Chinese knew that, his ideas were merely something to think about. But deliver he did. Four days after Currie's return, the President made his speech to the White House correspondents about his plans under the Lend-Lease Act. "China expresses the magnificent will of millions of plain people to resist the dismemberment of their nation. China, through the Generalissimo, Chiang Kai-shek, asks our help. America has said that China shall have our help."

Thus China was added to America's Lend-Lease programme and Currie put in charge of its administration (as well as the development of the Flying Tigers programme for China under the command of General Claire Chennault, with authority to arrange for the release of planes and US airmen). In the event, Chiang had little interest in a New Deal for China's peasants but the Lend-Lease programme served US and democratic interests by helping to keep China in the war against Japan. After the defeat of Japan it was not long before Chiang's corrupt Nationalist government met its almost inevitable overthrow by Mao's communist army in 1949. Currie was one of the 'China Hands' who was then blamed for 'losing' China during a rising tide of anti-communist hysteria. A full account of Currie's involvement in China policy, 1941-43, and his work as de facto head of the Foreign Economic Administration, 1943-44, is in Sandilands (1990, chapter 4). Currie's role in China is also dealt with in a major new biography of Mao Zedong by Jung Chang and Jon Halliday (2005), partly based on papers supplied to Chang and Halliday from my own archive.

From Grand Alliance to Cold War

Currie's wartime role in foreign economic affairs was to come under intense scrutiny soon after Roosevelt's death on April 1945. The Roosevelt administration had been assiduously promoting good relations with the Soviet ally and hoped that the close wartime cooperation would be continued postwar. Currie had been intimately involved in negotiations with the Soviets over wartime loans and their participation at Bretton Woods in late 1944 when it was still hoped that they would join the new multilateral institutions being established there.[xvii]

Another of Currie's official involvements with the Soviets followed upon his high-profile assignment in January 1945 as head of an allied delegation to Bern to persuade the Swiss to block Nazi gold stored in Swiss banks and to prohibit further shipments through Switzerland of materiel for Kesselring's forces in Italy. Currie's personal memoirs (in a transcript of some oral history tapes), refer to his last interview with President Roosevelt upon his return from Switzerland in March 1945. The Swiss President had asked Currie to convey a private message to President Roosevelt that the Swiss were disturbed by their very poor relations with the Soviets, and that 'they would appreciate it very much if Roosevelt would use his good offices to prepare the way for a better relation, to stop the attacks by the Moscow press on them as they would like to establish diplomatic relations'. (The Swiss feared their own interests were under threat with the Soviet advance into Central Europe.) Roosevelt said, 'I don't think I'd better give in the idea officially. You know everybody in the Swiss Embassy and in the Soviet Embassy.' Currie then mentioned having met the Soviet cultural attaché. Roosevelt said splendid, and urged Currie to make the appropriate connections himself, informally, since 'he was confident that what had to be done surely had to come from me'.

The 'Soviet cultural attaché' actually turned out to be the Soviets' chief KGB officer in the Washington Embassy, Anatoly Gorsky. Many of Gorsky's wartime coded cables to Moscow were later partially decrypted by the National Security Agency, some as early as 1946 or 1947. This work, now famously known as the 'Venona' project, was top secret until the release of some 2900 decrypted cables in 1995-96. Persons mentioned in these cables were scrutinised during the Cold War for evidence that their involvement with the Soviets was espionage rather than part of their official duties. Currie and his old friend Harry Dexter White were among those mentioned in the cables and both came to very public attention when in 1948 their names were mentioned by ex-Soviet agent Elizabeth Bentley in open testimony before the House Committee on Un-American Activities (HUAC). Though she had never met them herself, she claimed that White and Currie had passed on information to other Washington economists who were consciously abetting her own espionage activities. Currie and White both demanded to appear before HUAC to rebut these charges. White, in particular, caused a sensation with his robust handling of pointed questions from Congressman Richard Nixon. Their testimony appeared to satisfy the Committee at that time, though the strain contributed to the fatal heart attack that White suffered on his way home from the hearings.[xviii]

Currie's memoirs remind us that much diplomacy is of necessity covert and that official US-Soviet relations between 1941-45 were totally different from those that prevailed during the cold war. Roosevelt's reluctance to be seen to be interceding personally in the Swiss-Soviet affair may have been related to two big issues concerning the Russians at that time (March 1945). Firstly, he was having trouble with the press and Congress over proposed voting rights for the Soviet Union in the United Nations Assembly. Secondly, and relevant to Swiss-Soviet relations, was the bitter protest that Stalin had lodged when he learned of the secret feelers that the Germans had recently initiated in Bern with Office of Strategic Services (OSS) agent Allen Dulles (whom Currie had himself met in Bern) to discuss the possibility that Kesselring might negotiate the separate surrender of the German forces in Italy. Stalin demanded to know why the Soviets had been excluded from these talks. He feared that a separate peace with America and Britain would leave the Germans free to continue war with Russia. Roosevelt was able to assuage Stalin's fears, and in a personal letter to Churchill from Warm Springs on April 11, 1945, the day before he died, Roosevelt wrote:

> I would minimise the general Soviet problem as much as possible because these problems, in one form or another, seem to arise every day and most of them straighten out as in the case of the Bern meeting.
>
> We must be firm, however, and our course thus far is correct. (Freidel, 1990, p. 602)

Currie left his position at the White House in June 1945 to go into business as an economic consultant in New York until he was recruited by the World Bank to head a comprehensive country study of Colombia in 1949-50. His mission report was published in September 1950 at which point the Colombian government appointed him as advisor to a committee set up to study the report and act on its recommendations (Sandilands, 1990; Alacevich, 2005). Thus began a new career as a development economist in Colombia that would stretch for more than 40 years. It is beyond my current remit to review this period in any depth but, as Alacevich has shown by delving into just one brief episode in Currie's career in Colombia, there is a wealth of information on this career in the voluminous memoranda, manuscripts, memoirs and letters now archived at Duke University. These show that Currie was active almost uninterruptedly as a top-level presidential adviser and development economist right up to his death, aged 91, in December 1993.

When as a naturalized U.S. citizen he attempted to renew his passport in the poisonous atmosphere of 1954, this was refused, ostensibly on the grounds that he was now residing abroad. However, the reality was probably connected with the 'Venona' project and other allegations about his wartime involvements in China and with the Russians. He had recently married a Colombian and was settled in Colombia despite a military coup in 1953 that caused him to retire temporarily from his economic advisory work. Instead he devoted himself to the raising of Holstein cattle on a farm outside Bogotá.

With the return of civilian government in 1958, President Alberto Lleras personally conferred Colombian citizenship upon him and he returned to full-time advisory work for a succession of presidents. However, between 1966 and 1971 he served as a visiting professor in North American and British universities: Michigan State (1966), Simon Fraser, Canada (1967-1971), Glasgow (1968-1969), and Oxford (1969). He returned permanently to Colombia in May 1971 at the personal behest of President Misael Pastrana to prepare a national plan of development known as the Plan of the Four Strategies, with focus on the 'leading sectors' of urban housing and export diversification. (On Currie's theory of leading sectors see Chandra, 2006). The plan was implemented, and the institutions that were established in support of the plan played a major role in accelerating Colombia's urbanization.

For most of his professional life Currie has been an eclectic mixture of economic liberal and economic planner. Understanding the cultural and intellectual roots of this admixture requires much more than a reading of his published output. We need to know how his writing is influenced by upbringing, training, personal characteristics and experience, both personal and professional; and the constraints of time and place. This is what makes a wide-ranging archive so invaluable. On the eclecticism of his planning and advisory work in light of that experience, Currie best summed up his approach at a conference in Panama in 1975 (as reported in Sandilands, 1990, p. 372):

> Although I have a great respect for the power of economic incentives and the efficacy of decentralized decision making, I am still an inveterate planner. Despite my good intentions, the State reappeared, but I hope in acceptable collaboration with the use of economic incentives. The "invisible hand" became two hands, the traditional one working more or less silently through economic incentives, and the more visible one of national economic policy making. The resulting strategy is a mixed one, difficult to classify. I distrust labels. Personally, I would not call myself a monetarist nor a Keynesian, nor a believer in intervention nor the market, nor a structuralist nor a neo-classicist but a little of all of these, and am prepared to use policies involving elements of all these approaches when the attainment of certain goals appears to make their use appropriate.

Currie remained as chief economist at the National Planning Department for ten years, 1971-81, followed by twelve years at the Colombian Institute of Savings and Housing until his death in 1993. There he doggedly defended the unique housing finance system (based on "units of constant purchasing power" for both savers and borrowers) that he had established in 1972. The system thus continued to boost Colombia's growth rate and urban employment opportunities year by year. Currie was also a distinguished urban planner and played a major part in the first United Nations Habitat conference in Vancouver in 1976. His 'cities-within-the-city' urban design and financing proposals (including the public recapture of land's socially created 'valorización', or 'unearned land value increments', as cities grow) were elaborated in his *Taming the Megalopolis* (1976). He was a regular teacher at the major universities in Bogotá and published widely in international journals. His writings were heavily influenced by his Harvard mentor Allyn Young. A paper on Youngian endogenous growth theory was published posthumously

(Currie, 1997), pieced together by the present writer from several incomplete drafts, notes and tabulations that were on his desk when he died, and that are now among his papers at Duke University. On the day before he died, of heart failure, President Cesar Gaviria presented him with Colombia's highest honor, the Gran Cruz de Boyacá, for services to his adopted country.

Appendix

Archives of Papers of Lauchlin Currie

The main archive of Currie's papers is in the Rare Book, Manuscript, and Special Collections Library, Duke University, under the title 'Lauchlin Bernard Currie Papers, 1931-1994 and n.d. (bulk 1950-1990)'. The extent is currently 60.35 linear feet and 31,370 items. Before the originals were shipped from Bogotá to Duke, most were first photocopied under the direction of Elba Cánfora of the Universidad Nacional de Colombia, thanks to a major grant from the Banco de la República, for deposit in Colombia's Luis Angel Arango Library in Bogotá. For details of the Duke collection see http://scriptorium.lib.duke.edu/cgi-bin/nph-dweb/dynaweb/findaids/currie.

Currie's papers are part of Duke University's 'Economists' Papers Project' (http://scriptorium.lib.duke.edu/economists). This growing collection includes the papers of Kenneth Arrow, William Baumol, Arthur Bloomfield, Martin Bronfenbrenner, Jesse Chickering, Robert Clower, Max Corden, Lauchlin Currie, Paul Davidson, Evsey Domar, Frank Fetter, Nicholas Georgescu-Roegen, W M Gorman, Earl Hamilton, Clifford Hildreth, Homer Jones, Juanita Morris Kreps, Axel Leijonhufvud, H Gregg Lewis, Carl Menger, Karl Menger, Lloyd Metzler, Franco Modigliani, Oskar Morgenstern, Douglass C North, Don Patinkin, Mark Perlman, Benjamin Ratchford, Albert Rees, Tibor Scitovsky, Martin Shubik, Vernon L Smith, Joseph Spengler, Wolfgang F Stolper, and Sidney Weintraub.

Currie's China papers are archived at the Hoover Institution of War, Revolution and Peace, Stanford University, under the title, 'Register of the Lauchlin Bernard Currie Papers, 1941-1993'. The extent is 5 manuscript boxes and 1 envelope of photos, and is summarised in the catalogue as: 'Correspondence, notes, memoranda, reports, and summaries of interviews, relating to American aid to China during World War II, conditions in China, and military operations in the China-Burma-India Theater.' See http://www.oac.cdlib.org/findaid/ark:/13030/tf2779n58h.

The Marriner Eccles papers at the Marriott Library, University of Utah include a large number of letters and memoranda from Currie. His is the largest single entry in the catalogue. See: http://www.lib.utah.edu/spc/mss/ms178/178.html.
See also material on Eccles and Currie in the records of the Federal Reserve Board that are located in the U. S. National Archives at

http://www.archives.gov/research_room/federal_records_guide/federal_reserve_system_rg082.html#82.1.

Notes

[i] A few years earlier, one of Samuelson's Harvard teachers, Wassily Leontief, was passing through Bogotá. He told his minders that there were only two institutions he wanted to visit: the famous gold museum and Lauchlin Currie. (This, at least, is how Currie told the story to me.)

[ii] Currie visited Young in London in the summer of 1928 while collecting information on English banks. A moving letter from Currie to Young's widow in March 1929 was uncovered after my biography appeared, and is reproduced in Sandilands (1999) – and in the next chapter of this volume – in an article on Young's influence as a teacher. That article benefited greatly from my access to Charles Blitch's archive on Young that he had built up for his biography (Blitch, 1995).

[iii] Currie, White and Paul Theodore Ellsworth wrote a long memorandum on anti-depression policy in January 1932 that was later discovered among White's papers in the Princeton University archives. It was then published (Currie, White and Ellsworth, 2002) with a foreword by Laidler and Sandilands (2002) explaining its significance and possible influence on what has sometimes been considered the 'unique' Chicago tradition in monetary theory and policy.

[iv] In a letter dated 16 October 2004, Mark Perlman told me of a similar judgment from Paul Samuelson who 'launched into a vehement anti-Schumpeter speech at the 1980 International Economic Association Congress in which he denominated JAS as a mountebank and a hollow show-off'.

[v] In Sandilands (2004), three chapters of Currie's PhD thesis – on the theory of banking and control of the business cycle – were finally published.

[vi] He often revealed his animus against Irving Fisher, the famous champion of prohibition – and Currie's diary for 1926-27 records several visits to illegal bootleggers with his Harvard classmates. Apart from disliking his Puritanism, Currie complained that the conservative Fisher was a monetary reformer mainly because he hoped that those measures would make broader government action unnecessary. He criticised Fisher's 'transactions' version of the quantity theory as simplistic and misleading, and found his frequent crusading visits to the Fed irritating and time-wasting. Nevertheless, Fisher had a high regard for Currie and I learned later (from Steindl, 1993) that he took credit for getting him appointed to the White House as Roosevelt's assistant for economic affairs. I think Currie would take that claim with a pinch of salt.

[vii] Concerning this 2004 publication of some of Currie's memoranda from the 1930s and beyond, Telser wrote me on January 9, 2005:

> I have been reading and learning from Lauchlin Currie from your *Journal of Economic Studies*. It has very important material so that I hope you can get it read by the right people. I am going to bring it to the attention of some of my colleagues. Especially striking to me are the essays I have read so far on deposits and the 100 percent reserve plan. People like Douglas Diamond, Calomaris, Friedman, Neil Wallace, Peltzman et al. who have studied bank runs and panics are woefully ignorant of the facts. Bob Solow should get a copy of your journal. He wrote me a very perceptive letter on my veterans' bonus piece and I am sure would welcome your work on Currie... Congratulations!

[viii] Michele Alacevich spent the summer of 2004 in the Duke archives researching Currie's World Bank mission to Colombia, 1949-50, and its follow-up, including the period in 1951-53 during which he and Hirschman worked in uneasy partnership (Alacevich, 2005). I am also indebted to Alacevich for unearthing in the archives of the University of Milan the Italian text of an otherwise unknown lecture that Currie gave to the Instituto di Studi Internazionali, Milan, on March 5, 1946, while president of the board of the Council of Italian-American Affairs, on 'Italy in the Postwar World', in which he urged the importance of Italy's democratic integration into the world economy and the need to avoid an overvalued exchange rate.

[ix] Personal communication and as indicated in comments on Viner in Currie's (1990, p. 13) recollections of Allyn Young: Young did support the gold standard, but Currie wrote that he 'would immediately have seen the fallacy of composition in the argument of the budget balancers. The logic of his 1928 *Economic Journal* article would have led him to stress the role of demand and the ultimate consumer and to downgrade the independent role of 'confidence' in itself rather than as a reflection of demand... But he might have felt, with Viner, that a deliberate unbalancing of the budget might have resulted in a flight of capital.'

Similarly, in a letter to J Ronnie Phillips, July 27, 1993, commenting on a draft of Phillips's book on the 'Chicago Plan' for monetary reform (Phillips, 1995), in which Currie's 1934 proposal for a 100 percent reserve banking system was discussed, Currie wrote that 'Viner was a very able economist but not very daring… I doubt if he passed my paper [on the 100 percent reserves plan] to Morgenthau, who was also timid'.

[x] I am indebted for this information to Hansjoerg Klausinger, working on Machlup's archives, and to Masazumi Wakatabe who sent me the *Washington Post* and *New York Times* letters.

[xi] The original formal mathematical statement of the balanced-budget multiplier theorem was by Walter Salant's brother William while he was an assistant to Currie in the early 1940s. In various unpublished memoranda written in the late 1970s, Currie again questioned the practical relevance of the theorem, and also criticised its assumption that a rise in the tax rate would have no effect on the marginal propensity to save or, as Currie would prefer to express it, on the marginal propensity to hold money in the face of a need to replenish depleted cash balances. In the latter case the value of any multiplier effect would be far less than unity.

[xii] Extracts of the report that was laid before the President are included in 'Editor's Introduction' (Sandilands, 2004, pp. 185-6). The full report and contemporary newspaper commentaries are in the Currie archive at Duke University.

[xiii] This was subsequently published, with an introduction by Byrd Jones, in Currie (1980).

[xiv] For Young's influence on Currie's monetary economics see Sandilands (1990, chapter 2) and Laidler (1993, pp. 1083-4); and for his influence on Currie's thinking on development economics see Currie (1997) and Mehrling and Sandilands (1999, p. xi).

[xv] Currie was the first professional economist to work as a presidential adviser in the White House. The Employment Act of 1946 formalised this role with the creation of the Council of Economic Advisers. One of Currie's postgraduate students at Simon Fraser University, 1967-68, was Martin Neil Baily who was appointed by President Clinton as Chairman of the CEA in 1999.

[xvi] Currie's memoirs record that he finished this 18-page memorandum (plus nine charts) on March 18, but that he quietly 'kept it on my desk until April 27 when I finally submitted it with apologies for its length. Apparently the ostensible occasion was agitation for a National Conference on Unemployment, which could easily have turned into an attack on New Deal policies.' Part of this memorandum was reproduced in Sandilands (2004, pp. 366-8).

[xvii] A revealing insight into contemporary attitudes toward the Soviets and hopes for continued economic and political cooperation after the war, is given by the erstwhile Assistant Secretary of State, Sumner Welles, *The Time for Decision* (October 1944). Currie was close to Welles from the summer of 1940 when they were both involved in embargo policies against Japan. Currie's memoirs (Currie, 1953, pp. 152-3) record that Welles was 'unquestionably one of the most competent persons I encountered in Government' and that he 'could understand why the President always preferred to deal with Welles [rather than Secretary Cordell Hull] when he could'. Currie contrasted Welles's 'competence and forcefulness' with Hull's 'jealousy and vindictiveness' that eventually forced Welles's resignation in August 1943.

[xviii] For an examination of the evidence against Currie and White (concluding that both were innocent of espionage), see Sandilands (2000), James Boughton (2001), and Boughton and Sandilands (2003). After reading the latter paper, Major-General Julius Kobyakov, deputy director of the KGB's American desk in the late 1980s, wrote to me on December 22, 2003 to confirm our conclusions. After extensive archival research on Soviet intelligence in the U.S. in the 1930s and 1940s he found that 'there was nothing in [Currie's] file to suggest that he had ever wittingly collaborated with the Soviet intelligence… However, in the spirit of machismo, many people claimed that we had an 'agent' in the White House. Among the members of my profession there is a sacramental question: 'Does he know that he is our agent?' There is very strong indication that neither Currie nor White knew that.'

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