

## MONEY AND EMPIRE

Charles Kindleberger ranks as one of the twentieth century's best known and most influential international economists. This book traces the evolution of his thinking in the context of a "key-currency" approach to the rise of the dollar system, here revealed as the indispensable framework for global economic development since World War II. Unlike most of his colleagues, Kindleberger was deeply interested in history, and his economics brimmed with real people and institutional details. His research at the New York Fed and BIS during the Great Depression, his wartime intelligence work, and his role in administering the Marshall Plan gave him deep insight into how the international financial system really operated. A biography of both the dollar and a man, this book is also the story of the development of ideas about how money works. It throws revealing light on the underlying economic forces and political obstacles shaping our globalized world.

**Perry Mehrling** is Professor of International Political Economy at Boston University.

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# **MONEY AND EMPIRE**

*Charles P. Kindleberger and the Dollar System*

**Perry Mehrling**

Boston University



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*For my teachers and students  
(from whom I also learned)*

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[More Information](#)

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## Contents

<i>Preface</i>	<i>page ix</i>
Introduction . . . . .	1
<b>PART I: INTELLECTUAL FORMATION, 1910–1948</b>	
1 Golden Boy . . . . .	11
2 Columbia . . . . .	30
3 Hot Money . . . . .	56
4 A Good War . . . . .	77
<b>PART II: INTERNATIONAL ECONOMIST, 1948–1976</b>	
5 Tech . . . . .	101
6 The Dollar System . . . . .	126
7 Among Economists . . . . .	156
<b>PART III: HISTORICAL ECONOMIST, 1976–2003</b>	
8 Independence . . . . .	187
9 Chef d’Oeuvre . . . . .	209
10 Leadership . . . . .	236
<i>Bibliography</i>	262
<i>Index</i>	279

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[More Information](#)

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## Preface

This book started out as a biography of the dollar, not of a man. It was intended to be an international version of the story I had told in *The New Lombard Street: How the Fed Became the Dealer of Last Resort* (2011). That book was a biography of the Fed, as seen through the analytical lens of the “money view,” an approach to monetary theory that I had been developing in the classroom for the previous decade. The new project was supposed to extend the money view to a theory of foreign exchange and the international monetary system, and in doing so would enable the story of the emerging market-based credit system to encompass the story of financial globalization and the spreading dollar system. As in the previous book, I planned a story of institutional development as context for a story of economic thought development – this time international rather than domestic. Fortunately for me, my plan attracted support from the initial grant round of the fledgling Institute for New Economic Thinking (INET), which I gratefully acknowledge. However, in the first year the project began to change shape, and I decided not to request renewal.

As I reconstruct my process today, the shift in focus began with work I had been doing on the history of monetary economics at MIT.<sup>1</sup> Spending a few days in the Modigliani Papers at Duke University in January 2011, I found extensive correspondence with Charles P. Kindleberger about international monetary reform, and that is where the seed for the present book was planted. Subsequent discovery of the extensive Kindleberger Papers at MIT made me realize that there

<sup>1</sup> Mehrling (2014).

## PREFACE

was enough material on which to hang an entire book, just as I had previously hung my history of financial economics on the life of Fischer Black.<sup>2</sup>

It should be noted for the record that I did not abandon the original project, but rather published its central chapters in individual papers rather than a full book, most importantly “Essential Hybridity: A Money View of FX.”<sup>3</sup> With my previous commitment thus cleared, in the summer of 2013 I spent a month in the Kindleberger Papers at MIT and then, in January 2014, a week in the Kindleberger Papers at the Truman Library, with the result that by February 2014 I was able to construct a plausible chapter outline for the new book. By September 2015, this new conception of the project attracted renewed support from INET.

Still, it took me another six years to complete the book, which is quite a bit slower than my previous books, because of other projects I was working on. The launch of *New Lombard Street* (2011) brought unexpected demand for follow-ups of various kinds, which I felt obliged to supply. Then, in April 2012, INET asked me to organize a student gathering parallel to the INET Plenary in Berlin, which turned out to be the launch of what would become INET’s Young Scholars Initiative. Even more, in Fall 2012, INET filmed my Money and Banking course, and over the next year I worked to edit the film into a MOOC (Massive Open Online Course) that launched on Coursera in Fall 2013. In January 2017, just as I was starting to fill in the outline of the new book, Boston University approached me about possibly shifting my academic base and I accepted, effective January 2018. The transition proved more disruptive than I anticipated. A thirty-year accumulation of files and books is not easy to shift, even less a thirty-year pattern of teaching and research, not to mention life. That accounts for the slow progress, but I wish to assert for the record that it was definitely worth it. I had hoped to find in The Pardee School of Global Studies the supportive academic home that I needed to complete the book, and so it proved to be, for which I am eternally grateful.

Starting in 2018, I began to make rapid progress, taking the opportunity to present each chapter for public feedback as it was completed. In

<sup>2</sup> Mehrling (2005). <sup>3</sup> Mehrling (2013). Also Bernes et al. (2014) and Mehrling (2015).

## PREFACE

this vein, my schedule included talks at the Kennedy School, Credit Suisse, the European Society for the History of Economic Thought, the Eastern Economic Association, Marist College, Duke University, and multiple presentations at my new academic home. For me this was a new way of working, since all my previous books had been produced essentially in isolation and under tremendous time pressure, with very little in the way of institutional support. A pleasant surprise, I found that I enjoyed this new way of working, and that is the final reason for my slow progress. For the first time in my life, I have had time to really enjoy the process of writing, and indeed even to indulge in some rewriting! I hope and trust that the result is a better book.

At INET, my main debt has been to Rob Johnson for his unwavering support over the last decade, his judgment perhaps distorted by lasting affection for Kindleberger, a key influence on his own early education as an economist. Tom Ferguson has been an invaluable reader and critic, especially of the later chapters, which have been immeasurably improved by my attempt to rise to his standard. I should also mention prominently Jay Pocklington, whose work to build the Young Scholars Initiative not only freed up my own time, but, even more important, created the intellectual community that I came to envision as the concrete audience for the words I was putting on paper. His periodic requests for progress reports on the book, starting in January 2015 with a talk to the YSI Economic History Workshop, provided much-needed stimulus to put words into PowerPoints, as preliminary to actual chapters. It was also Jay who arranged for YSI intern Mariam Tabatadze to serve as my research assistant for a while, gathering together the transcripts of Kindleberger's extensive Congressional testimony.

Second only to INET, I owe a debt to the Kindleberger family, especially Sally Kindleberger, nearby in Lincoln, Massachusetts, who opened the family archive to me, but also, farther afield, Charles P. Kindleberger III (now deceased) and Elizabeth Randall Kindleberger, who provided critical insight on the private life. I see in my notes that my first contact with Sally was July 2013, and I take this opportunity to apologize to the family for the long delay bringing this project to fruition. I don't work as fast as their father, obviously, perhaps suffering from a perfectionist streak of which he would definitely have disapproved.

## PREFACE

Kindleberger wrote a lot for publication, but I have found the unpublished record invaluable for teasing out the underlying life story that brings the published work to life. In addition to MIT and the Truman Library, I thank archivists at the Kent School, the Jamestown Historical Society, the University of Pennsylvania, and Bucknell University. Special thanks are due to MIT archivist Myles Crowley who went beyond the call of duty when the pandemic closed the archive, providing Zoom access to critical documents needed to complete the book. Financial support from the Truman Library for my week there is gratefully acknowledged.

Along the way, I have accumulated additional debts to numerous individuals: Bob Solow, Stephen Magee, Ron Findlay, Hossein Askari, Bob McCauley, David Warsh, Deirdre McCloskey, Bob Pollin, and Peter Johns. Also, to the readers who saved me from error and helped me to sharpen my argument: Andre Burgstaller, Kevin Gallagher, Vivien Schmidt, Erik Goldstein, Maria Cecilia Schweinberger, Steffen Murau, Anush Kapadia, Michael Beall, Yakov Feygin, Frederick V. Hermann, Asgeir Torfason, Celine Tchong, Eric Monnet, Muriel Dalpont, Bob Dimand, and Catherine Schenk. In the final stages of manuscript preparation, Andrew Grafton served as research assistant, checking quotes and references with a fresh eye.

Finally, as always, this book would not have been possible without the constant and patient support of my wife Judy. I've lost track of the number of times I assured her that there were only six months to go, though I insist that each time I believed it. In my defense, repeatedly I found that there was more to the story than I had anticipated, and repeatedly I was grateful that I was able to take the time to pursue the story where it led.