In the spring of 1941, the British economist John Maynard Keynes was briefed on the American personalities he would face in meetings in New York and Washington about the provisions of the Lend Lease bill to help Great Britain fight the Nazis.

Keynes’ assessment was that "the younger civil servants and advisers strike me as exceptionally capable and vigorous (with the very gritty Jewish type perhaps a little too prominent)."

Keynes was almost certainly referring to Harry Dexter White, an official of the U.S. Treasury Department.

He did not know, of course, that White would be his partner - and his principal adversary - three years later, in Bretton Woods, the little town in New Hampshire, where the blueprint for the post-World War II economic order would be laid out.

Nor did anyone know that White, a dogged American nationalist, was also a spy for the Soviet Union.

In "The Battle of Bretton Woods," Benn Steil, a senior fellow at the Council on Foreign Relations, provides a fascinating, occasionally abstruse, but often riveting, account of these two remarkable men and their attempt to design a stable global monetary system, an International Monetary Fund and a World Bank.

Where White and Keynes stood, he argues, depended on where they sat. With England so dependent on the United States, the Bretton Woods agreement had "only traces of Keynes' thinking" and no sign at all of his proposal for a new international reserve currency to replace the dollar and gold.

"The Battle of Bretton Woods" is chock-full of provocative and timely observations. Sparked by the publication of Keynes’ "The General Theory of Employment, Interest and Money," the debate over whether persistent unemployment is "in equilibrium" or is "self-correcting," according to Steil, remains unresolved.

Steil also claims that the collapse of the Bretton Woods system was inevitable, because it required the United States to pursue domestic and international objectives at the same time and because White insisted, "though he was at constant pains to explain how this could be," that international currency exchanges be based on "cold, hard, scarce gold" and on "dollars that could be produced at will by the United States government."
Despite the end of the Bretton Woods "world of fixed exchange parities" in 1973, Steil notes, alternatives - international money, a revived gold standard and private money competition - probably won't work and, in any event, "are not congenial to government, particularly that of the United States."

No government, Steil suggests, could or would live by the strictures imposed by gold, which requires acceptance of deflation "as a natural and necessary, periodic occurrence."

Nor will the Chinese replace dollars with renminbis as the dominant reserve currency as long as they hold a "vast stash of American securities."

It may take "a generalized loss of confidence," Steil concludes, to "provoke changes in public and private practice" - and to give birth to a more enduring system in which "developed and emerging market currencies play a much larger international role." No wonder economics has been called "the dismal science."

‘THE BATTLE OF BRETON WOODS: JOHN MAYNARD KEYNES, HARRY DEXTER WHITE, AND THE MAKING OF A NEW WORLD ORDER’
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