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September 14, 2013

The Closing of the Gold Window and the History of Dollar Hegemony:  
Preliminary Research Report

Over the summer of 2013, I conducted two research trips using a grant from the History Project/Institute for New Economic Thinking. First, I spent a week at the Nixon Presidential Library and Museum in Yorba Linda, CA reviewing White House documents from the Nixon Administration. These documents mainly included the files of the Council of Economic Advisors and its members (Herbert Stein, Henry Houthakker, and others). Second, I spent a week at the National Archives in College Park, MD reviewing the files of the executive agencies involved in dollar diplomacy and international economic planning, including the Department of State and Department of the Treasury.

My research at the Nixon Library proved invaluable in acquainting me with the economic policymaking landscape of the late 1960s and the administration's early thinking on the dollar's role. The Council of Economic Advisers (CEA) clearly played a prominent role in informing President Nixon's understanding of international monetary affairs, albeit in a more informational than policymaking role. Most of their correspondence consisted of weekly briefings on international financial developments (e.g., currency performance and foreign monetary policies) with the occasional policy memo. Perhaps the most relevant document to the question of the dollar's future is the 1969 Haberler Report on the US's balance of payments. Gottfried Haberler, a Harvard economics professor, was commissioned by the Nixon administration to write a detailed report on the dollar's role and the balance of payments problem that developed in the late 1960s. Haberler's report details both the problems foisted on the US by its role as the reserve currency issuer and potential solutions to the problem. In fact, that report even mentions

the possibility of suspending the dollar's convertibility into gold (the action Nixon eventually took in 1971), albeit as a distant option amidst a menu of far likelier possibilities.

While there is no overwhelming evidence for a clear administrative position on the dollar's role, the Nixon Library's documents do indicate 1) that the administration devoted substantial thought to the future of the dollar and 2) that the CEA and more academic side of the administration's economic team were not especially enthusiastic about the dollar's reserve currency role.

My findings at the National Archives, however, present a far more nuanced view of the Nixon administration's planning around the dollar's role and the division of thought within the administration. Two sets of documents proved especially useful in developing my understanding of the administration's views: the central files of the Department of the Treasury and the files of the Volcker Group, an interagency committee run by the Department of the Treasury's Paul Volcker. Both sets of documents reveal a far more advanced level of policy planning than within the CEA. The Treasury Department's documents indicate a high level of attention to the dollar's role as a negotiating point in international monetary reform talks. Although officials were generally positive about the dollar's reserve currency role, they recognized that it might be a valuable bartering chip if other objectives (such as floating exchange rates) came into conflict with it.

The most intriguing documents, however, came from the files of the Volcker Group. The Volcker Group was constituted in 1969 as an interagency committee to run point on international monetary reform, the role of the dollar, and other vitally important international economic issues. The files of the Volcker Group include both internal memos and documents received from other agencies (the Federal Reserve, Treasury, National Security Council, and Office of Management

and Budget) on related subjects. These files contain two vital pieces of information that will comprise a substantial portion of my thesis.

First, the Volcker Group files include a set of policy papers from the Office of Management and Budget (OMB) that indicate a far more positive outlook on the role of the dollar as a reserve currency than most other documents from the period. Second, the files include an interim draft of a National Security Council memorandum on the future of the dollar. This memo is particularly significant because it corresponds to a National Security Study Memorandum issued in 1969 (asking for a study of the future of the dollar) that was never followed by a National Security Decision Memorandum (which normally represents the findings of an NSC study). While it is unusual for an NSSM not to have a corresponding NSDM, this memo is even more important because no archivist to whom I spoke had any clue where the NSDM was or why there were no follow-up documents to the 1969 NSSM. This makes the interim memo a potentially crucial piece of the puzzle around the Nixon administration's thinking given its explicit engagement with the security role of the dollar's position and its ultimate abandonment by the NSC.

Overall, my research was incredibly fruitful and has left me with a substantial base of documents from which to begin writing. I hope that additional close reading and reconstruction of the policymaking process will shed further light on the question of the dollar's role and how our current system of dollar hegemony came to be.