

# Rueff vs de Lattre: a French money doctors' duel for influence over de Gaulle

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Abstract: In the early sixties, the U.S. and U.K. balance of payments deficits threatened the stability of Bretton Woods international monetary system. Jacques Rueff campaigned for its termination and the return to a system based only on gold, as in the 19<sup>th</sup> century. He encouraged French president Charles de Gaulle to publicly advocate the abandonment of the international currency role of the U.S. dollar. However, among de Gaulle's inner circle, André de Lattre tried to persuade the President to cooperate with the U.S. in safeguarding the stability of the system. Their arguments present diverging interpretations of the functioning of the international monetary order. This chapter presents the trajectories of these two money doctors and their endeavor to sway de Gaulle's perspective.

In April 1965, British and American newspapers lamented the rude dismissal of a “wise man” from the French Treasury.<sup>1</sup> This wise man was André de Lattre, a finance inspector who had worked in the past three years as director of the International Financial Affairs in the Treasury and had been in charge of representing France in the negotiations for the reform of the international monetary system. His termination marked the conclusion of a power struggle between money doctors around president general Charles de Gaulle. This struggle opposed de Lattre to Jacques Rueff on the best approach to reform the international monetary system.

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<sup>1</sup> De Lattre was dismissed while he was on a ski holiday. See Alsop, Joseph. “Pink Slip on Ski Slope.” *Boston Globe*. April 4, 1965, sec. 1. “The Treasury Always Wins.” (1965, April 17). *The Economist*, 215(6347), 335. The Economist Historical Archive. Alsop, J. (1965, April 2). “Casualty of the War on Sterling.” *Los Angeles Times* (1923-1995), A5. This episode is also related by de Lattre in his memoirs (de Lattre, 2000), pp.157-158.

## A tale of finance inspectors

The main characters of this money doctoring episodes were civil servant working as financial managers/engineers of the state: Jacques Rueff and André de Lattre. Both were senior officials, who spent the early years of their careers in the civil service, in the high-level consulting and auditing service of the Treasury, the *Inspection générale des finances* (IGF – General Inspectorate of Finance).

Rueff, born in 1896, fought the First World War and studied economics at the Ecole Polytechnique, a top French engineering school in the early 1920s. Inspired by Walras, he published in his first book during his engineer diploma, which argued for the application of physical science methods to economics.<sup>2</sup> In 1923, he became an inspector in the IGF and a professor at the Institute of Statistics at the University of Paris, where he strongly encouraged the introduction of statistics into economics, especially in monetary economics.<sup>3</sup> His publications soon earned him international attention from preeminent economists, even though he didn't have a Ph.D. diploma.<sup>4</sup> Rueff spent only a brief period at the French Treasury, advising Poincaré on the implementation of the franc's devaluation, before assuming positions at the League of Nations in Geneva in 1927 and at the French embassy in London in 1930. During this period, Rueff established itself as a critic of Keynes. This was an original path for a finance inspector. By contrast, his contemporary rival within the IGF, Wilfrid Baumgartner, did not publish academic articles and remained in the French administration, steadily ascending the ranks within the French Treasury throughout the interwar years. Despite their different trajectories, he and Baumgartner were jointly appointed as co-directors of the Treasury in 1934.<sup>5</sup> Rueff's career advancement continued when he assumed the primary managerial role in the directorate, while Baumgartner departed to become president at the Credit National, a semi-private investment bank. As WWII unfolded, Rueff was promoted to Deputy Governor of the Bank of France and was in charge of implementing the exchange controls.

His career was abruptly disrupted by the antisemitic laws of the Vichy regime, which targeted his Jewish heritage. He was dismissed from his positions. Thanks to his personal connections with

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<sup>2</sup> Rueff (1922), Minart (2106).

<sup>3</sup> Daou (2019).

<sup>4</sup> Rueff(1923; 1925). His first book was translated in English in 1929.

<sup>5</sup> The Treasury was then called "Direction du Mouvement Général des Fonds". Feiertag (2006).

Pétain who was the godfather of his daughter, he was partially reinstated as a finance inspector in 1941. However, he was only assigned to minor roles in the southern part of France.<sup>6</sup> After the war, he never held a permanent position, either in French government or at the Bank of France. He chaired the Inter-Allied Reparation Agency (1946-1952), served one year as Prime Minister of Monaco and spent the final decade of his career as a judge in the European High Court of Justice.<sup>7</sup> Meanwhile Baumgartner returned to the French administration and secured the role of Governor of the Central Bank from 1949 to 1960 and then Finance Minister (1960-1962).<sup>8</sup>

After the war, Rueff was thus absent from the most prestigious economist positions within the French administration. He remained an active economist, joined the Hayek's Mount Pelerin society and publishing books and opinion pieces that advocated for free markets and warning against the inflationary risks of Keynesian policies.<sup>9</sup> When de Gaulle came back to power in 1958, he hired Rueff as advisor to chart a course for stabilizing the French economy. The resulting Rueff-Pinay plan involved a fresh fiscal policy and the devaluation of the franc. Baumgartner expressed objections against the plan but de Gaulle was convinced by it and pushed his government to implement it.<sup>10</sup> Rueff's next power struggle with the French ministry centered around encouraging de Gaulle to call for a reform of the international monetary system.<sup>11</sup>

André de Lattre was 27 year younger than Rueff. Born after WWI, he completed his bachelor and masters during the second world war, before becoming a finance inspector. He followed a more traditional path than Rueff, spending most of the first two decades of his career in the French Treasury, at the Foreign Affairs directorate. In 1949, during his first months in this administration, he notably worked under Guillaume Guindeguy to navigate the devaluation of the pound sterling. While in the administration, he completed a Ph.D. dissertation on French foreign exchange

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<sup>6</sup> Trichet (2021), Feiertag (2013). Pétain had also been a witness at Rueff's wedding (Rueff, 1977).

<sup>7</sup> He first served at the European Coal and Steel Community from 1952 to 1958 and in the Court of Justice of the European Communities from 1958 to 1962. Source: Historical Archives of the European Union, CJUE-2552.

<sup>8</sup> In 1963, he left the administration to become CEO of Rhone-Poulenc, a prominent French chemical firm. Feiertag (2013).

<sup>9</sup> Baumgartner and Jacques Brunet, the Bank of France governor in the 1960s, spoke of Rueff as an outsider, a 'pure theoretician', and a 'dangerous dreamer'. Feiertag (2008), p. 83. Chivvis (2006).

<sup>10</sup> Chélini (2001). In 1985, Chirac praised the 1958 "diagnostic" and "treatment" advised by the "doctor" Rueff. (Chirac, 1985) p.544.

<sup>11</sup> From 1962 onwards, Rueff shared in writing his concerns for the stability of the international monetary system to the General. See following section.

controls at *Sciences Po* and taught International Monetary Economics at his alma mater and at the *Ecole National d'Administration*.<sup>12</sup> In 1954 and 1955, he spent sixteen months in Washington, working with the French delegation in the International Monetary Fund (IMF). He met prominent American policymakers, including Edward Bernstein, one of the fathers of the 1944 Bretton Woods agreement and the first director of research of the IMF, and Robert Roosa, who would serve as Treasury Undersecretary for Monetary Affairs in Kennedy's administration.<sup>13</sup> Like Rueff, de Lattre worked in the service of de Gaulle in the late 1950s, when the General hired him as his technical advisor for economics and financial issues, attached to his secretariat.<sup>14</sup> After a short posting close the General, he became head of the secretariat of the new Finance Minister, Baumgartner. In 1962 he returned to the Foreign affairs directorate of the French Treasury as his director.<sup>15</sup> He was a regular participant to the *Conseil Restreint*, a regular government meeting gathering the President and a dozen of top ministers, to share his advice on the international monetary problems.<sup>16</sup> He consistently opposed Rueff's recommendations to de Gaulle on this topic, first alongside Baumgartner, then with Valery Giscard d'Estaing.

#### **The Dollar problem viewed by the French money doctors**

The international currency status of the U.S. dollar was the focus of the tensions between de Lattre and Rueff. The 1944 Bretton Woods agreements had assigned a central role to the U.S. dollar in the international payment system. The postwar inconvertibility of the European currencies and their instability, particularly that of sterling, fueled a strong European demand for an alternative international mean of payment. In this context, the dollar became rapidly the dominant international currency.<sup>17</sup> But the postwar international monetary system was based on fixed exchange rate and gold parities, including for the dollar. This meant that participants in foreign exchange markets were closely monitoring at the U.S. balance of payments, along with the Federal Reserve's gold stock and the dollar circulating internationally to anticipate a potential adjustment

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<sup>12</sup> His 1950 dissertation is the basis of his 1959 book *Les finances extérieures de la France*. His supervisor was Henry Laufenburger. De Lattre (2000)

<sup>13</sup> De Lattre (2000)

<sup>14</sup> He acted as the General's advisor between 1959 and 1960. De Lattre (2000)

<sup>15</sup> De Lattre (2000).

<sup>16</sup> Archives Nationales Françaises (hereafter AN), AG/5(1)/2347-2349.

<sup>17</sup> The global economy even faced a first a shortage of dollar, as the international demand was stronger than the available dollar liquidity. Kindleberger (1966)

to the gold parity of the dollar. In 1959, Yale professor Robert Triffin warned the U.S. congress that the accumulation of dollars outside the U.S. would erode the confidence in the dollar/gold parity. He repeated his arguments in a widely circulated book *Gold and the dollar crisis* published in the Spring of 1960.<sup>18</sup>

In October 1960, foreign exchange markets showed signs of distrust in the stability of the gold parity of the dollar. This sentiment was fueled by Kennedy's presidential campaign, which foresaw large expenditures likely to create inflationary pressure and a U.S. balance of payments deficit. The prospect of his victory and the associated fear of a dollar devaluation led to a gold rush, speculators selling dollar against gold. As a result, the price of gold on the London market moved from \$35.20 per ounce, the U.S. Treasury's buying price, to \$40.00.<sup>19</sup> Kennedy publicly committed not to devalue the dollar and the Fed collaborated with the Bank of England to intervene on the gold market. These actions successfully brought the gold price back to \$35.20 per ounce and prompted the French government to suggest a coordinated central bank intervention scheme to stabilize the price of gold.<sup>20</sup>

Jacques Rueff met with the General de Gaulle on March 1961, originally to discuss potential future reforms of the French economy. He took the opportunity to share his concerns regarding the risks of a potential instability of the gold/dollar parity. Rueff reiterated his points in a letter dated May 5, 1961, which he later reproduced in his autobiography as evidence of his influence over the President.<sup>21</sup> He stated that the gold exchange standard based on the U.S. dollar had led to an accumulation of dollars within the reserves of Western central banks, creating a possibility for these central banks, by converting their dollars against gold, to force the Federal Reserve into bankruptcy. The insolvency of the U.S., he argued, posed a threat for the stability of the international monetary system. Central banks' cooperation would last only a time and, once it would stop, the resulting devaluation of the dollar would harm international dollar holders and potentially trigger an international economic depression, akin to the interwar period. At the end of June 1961, Rueff reached out a larger audience, publishing a series of three articles in the French

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<sup>18</sup> Triffin (1960). Maes and Pasotti (2021).

<sup>19</sup> Bordo (1993).

<sup>20</sup> Bordo *et al.* (2019).

<sup>21</sup> Rueff (1977). Prate (1978), Ferro (1973) and Mahan (2002) use this letter to show Rueff's close relationship with de Gaulle. No specific actions were taken by de Gaulle in reaction of the letter.

leading newspaper *Le Monde*.<sup>22</sup> He started his series by announcing that the international monetary system was so instable that any economic incident could lead to a global financial disaster. He accused the current international monetary system of allowing the U.S. to run a “deficit without tears”, describing a situation in which the deficit of the U.S. balance of payments did not lead to an outflow of gold from the Fed and deflationary pressures in the U.S. He also feared that the increasing volume of dollars circulating outside the U.S. would cause inflationary pressures abroad, as these dollars were used as a basis for the creation of new liquidity by banks.

Rueff’s arguments were repeated and commented among French economists, in the French parliament, as well as in the foreign press.<sup>23</sup> In the *Revue d’Economie Politique*, French economist Auboin notably pointed that Rueff’s perspective on the gold standard was limited because the international monetary system had always depended on a major financial center providing international liquidity.<sup>24</sup> The gold exchange standard was not *per se* a risk, argued Auboin, but the international monetary system required key currency nations to implement monetary policies safeguarding the stability of their currency.

Rueff’s analysis referred to the interwar period and the devaluation of the pound sterling. In the summer 1931, when he was advising the French Ministry of Finance from London, he criticized international cooperation efforts aimed at preventing a devaluation of the British pound. Such cooperation, he believed, would create a moral hazard problem, as British issues stemmed from inadequate national policies such as downward wage rigidity, which caused to limited export

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<sup>22</sup> Rueff, J. Un Danger pour l’Occident: Le Gold-Exchange Standard: I.-Une grave erreur collective. *Le Monde (1944-2000)*, 27 June 1961. Un Danger pour l’Occident: Le Gold-Exchange Standard: II. - Deux pyramides de crédit sur le stock d’or des États-Unis. *Le Monde (1944-2000)*, 28 June 1961. 1–2. Rueff, J. Un Danger pour l’Occident: Le Gold-Exchange Standard: III. - Comment sortir du système? *Le Monde (1944-2000)*. 29 June 1961.

<sup>23</sup> French senators tried to ask the minister Baumgartner whether the government shared Rueff’s diagnostic on the dollar. It appears that Baumgartner did not comment on it. “Compte rendu integral – 29<sup>o</sup> séance”, Débats Parlementaires du Sénat, *Journal Officiel*, 18 July 1961. Rueff claims in his autobiography that his arguments were reproduced in British, Italian, German and American newspapers. (Rueff, 1977, p.263). American newspapers *Fortune* and *Washington Post* indeed mention Rueff’s arguments. See Livingston, J. A. (1961, July 23). Business Outlook: Monetary Disaster Theory Is Disputed. *The Washington Post, Times Herald (1959-1973)*, A28 who cites a July *Fortune* piece.

<sup>24</sup> Auboin, (1961).

growth, trade deficit and unemployment.<sup>25</sup> In 1961, he cautioned against repeating the mistake of 1931 and wasting resources attempting to delay the devaluation of the dollar.

During the start of Rueff's campaign to alert the General and the public opinion of the risk of the U.S. dollar, André de Lattre was working with Baumgartner at the Treasury. De Lattre shared the diagnosis that the increase of international dollar liabilities was not a sustainable method to finance the U.S. balance of payments deficit. However, he collaborated with the U.S. Treasury to find solutions. He participated in the creation of the "General Agreement to Borrow", a \$6 billion liquidity line that the IMF could offer to states in need of international liquidity. While acting as the French representative in the G10 meetings, Roosa and Van Lennep (Netherlands' Treasurer) and him build the Bellagio group, a gathering of professors and economists to discuss solutions and reforms for the international monetary system.<sup>26</sup>

He also collaborated with Jean-Marie Lévêque, his successor in the role of de Gaulle's technical advisor to brief de Gaulle on international monetary questions.<sup>27</sup> Following Rueff's letter to de Gaulle, Lévêque sent a note to the General, likely reflecting the Treasury's consensus regarding Rueff's thesis. The note stated that Rueff's points contained some truth but was misled by Rueff's experience of the difficulties of the interwar gold exchange standard.<sup>28</sup> Unlike the interwar period, most countries were not anticipating a return to a system based only on gold, mainly due to insufficient global gold reserves. Second, international monetary cooperation between "clairvoyant and brave" central banks, and international liquidity provision via the IMF were two mechanisms which could help countries to manage their balance of payments difficulties, something did not exist during the interwar period. The note also argued that foreign dollar liabilities would remain abroad as they were held within the balance sheets of private banks and companies that needed to hold dollars in their working capital. These liabilities did not constitute a threat to the Fed's gold reserves. De Gaulle's advisor tried draw the President's attention on the higher proportion of dollars in the reserves of central banks that lost WWII: Germany, Italy, and Japan, and the motives for such holdings. Were these holdings a signal of these countries' trust in

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<sup>25</sup> Flandreau (1998).

<sup>26</sup> De Lattre (2000). See also notes from the Bellagio conference "Proposals for International Monetary Reforms", AN AG/(1)/2389.

<sup>27</sup> Lévêque (1986).

<sup>28</sup> Note à l'attention du Général de Gaulle, Jean-Maxime Lévêque, Paris, 11 May 1961, AN, 5AG1-2386.

the dollar and willingness to cooperate with the victors of the war, or a sign of explicit coercion by the U.S. on more dependent countries, to prevent the conversion of these dollars into gold? These efforts by the Minister Baumgartner and his team to mute Rueff's stridency were successful, according to an oral history interview of Lévêque.<sup>29</sup>

After Baumgartner's departure in 1962, Lévêque and de Lattre continued to challenge Rueff's influence on de Gaulle. In January 1963, following a visit from Rueff, de Gaulle declared to Alain Peyrefitte, Minister of Information and close confidant, that it was time to free France from U.S. influence and combat the American economic invasion.<sup>30</sup> Soon after, in a March 1963 note, Lévêque answered these concerns by describing Rueff's analysis as 'too simplistic'. He explained that countries with balance of payments surpluses would face the same inflationary pressure, whether the surplus was paid in dollar or gold. In both the gold exchange standard that Rueff attacked, and the gold standard that Rueff promoted, surpluses or deficits should correct themselves through flows of goods and money.<sup>31</sup> Nevertheless, de Gaulle remained aligned with the Rueff ideas and expressed to the French ambassador in the U.S. Alphand that he could not comprehend why the Bank of France still held dollars in its reserves, as retaining these dollars "artificially prolonged the disease."<sup>32</sup>

### **Monitoring vs euthanizing the global dollar**

Rueff's solution for the dollar problem was to end the gold exchange standard and the dollar's international role. Only a return to a pure gold standard would restrict international foreign exchange flows, which he viewed as inflationary. The rules of the gold standard would prevent recurring imbalances of external accounts. He recommended a gradual liquidation of dollars circulating outside the U.S., organized collectively by an international conference. The liquidation would be organized by exchanging dollars against gold from the Fed.<sup>33</sup> To avert a liquidity shortage resulting from the settlement of international dollar liabilities, Rueff believed the price of

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<sup>29</sup> Jean-Maxime Lévêque Oral History, Institut Charles de Gaulle, Paris, France. Cited in Mahan (2002). p.113.

<sup>30</sup> Peyrefitte learned from de Gaulle's secretariat that this declaration was the result of an intervention of Rueff. Peyrefitte (1997).

<sup>31</sup> Here, Lévêque's reasoning is close to Hume's 'price-specie flow mechanism'. See Flandreau (2002).

<sup>32</sup> Private meeting with the General, August 19<sup>th</sup> 1963. Alphand (1977), p.404.

<sup>33</sup> Rueff, J. Un Danger pour l'Occident: Le Gold-Exchange Standard: III. - Comment sortir du système? *Le Monde* (1944-2000). June 29 1961.



gold should be increased.<sup>34</sup> He rejected Triffin's solution, which consisted in replacing the dollar with an international reserve instrument issued by the IMF, a concept akin to Keynes' 1943 plan, because Rueff viewed such solution as potentially inflationary for the international monetary system.<sup>35</sup>

De Lattre opposed the idea of increasing of the price of gold. He and Lévêque regarded Rueff's proposed solutions as old-fashioned and inadequate for the international monetary system.<sup>36</sup> From his personal connections with Roosa, de Lattre knew that Rueff's solution was doomed to fail as it entailed a devaluation of the dollar, an option that the U.S. would reject.<sup>37</sup> Him and Lévêque advised de Gaulle to steer G10 multilateral negotiations towards an explicit recognition of the U.S balance of payments problems and an investigation of the potential inflationary impact of the current system.<sup>38</sup> The French Government decided to seek an external expert's perspective on the matter to settle the debate, and chose Guillaume Guindey.<sup>39</sup> A former manager of de Lattre in the Directorate of International Financial Affairs, Guindey had recently returned from a four-year posting as General Manager of the Bank for International Settlements (BIS), where he aided in establishing the international syndicate of central banks, called the "gold pool", committed to stabilize the gold markets.<sup>40</sup>

Guindey's report to the Government stated that the current monetary system needed to be reformed. As Rueff, he argued that deficits of the currency issuer were a source of international inflation. He blamed the U.S for exploiting international liquidity facilities, citing the BIS swaps, the IMF support and the Roosa bonds.<sup>41</sup> He acknowledged that an increase of the price of gold, Rueff's solution, could be beneficial but he also stressed the political risk of such measure which

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<sup>34</sup> He did not directly call for an increase of the price of gold in his 1961 series of papers. Later, he explained that he chose to stay ambiguous on this point to avoid antagonizing the U.S. and avoid triggering a wave of speculations against the Bank of France. Rueff (1971).

<sup>35</sup> Rueff (1971).

<sup>36</sup> Lévêque does not provide any names here but in his memoirs, he said to personally opposed the return to the gold standard and de Lattre from the directorate of International Financial Affairs opposed it as well. See: Lévêque (1986) and Quennouëlle-Corre (2013).

<sup>37</sup> De Lattre (2000).

<sup>38</sup> Note à l'attention du Général de Gaulle, Jean-Maxime Lévêque, Paris, 20 September 1963 AN, AG/5(1)/2386

<sup>39</sup> The decision was taken at the Small Council of September 23<sup>rd</sup>, 1963. See Prate (1978), p.207.

<sup>40</sup> Bordo et al. (2019).

<sup>41</sup> For greater details on Roosa bonds and the swap facilities, see Bordo et al. (2015).

would advantage the Soviet Union, as it held no dollars. He stated that the current danger in the international monetary system came from the arbitrary power that a small number of countries held over the assets that constituted majority of the reserves for most countries. The U.S. had no interest in adhering to the discipline of the gold standard, he warned, being a sizable nation, they could suspend the gold convertibility of the dollar and force the rest of the world into a dollar exchange standard. His final advice diverged from Rueff's recommendation, as he encouraged the French government to collaborate with the U.S. and to propose the creation of a new reserve instrument, the Collective Reserve Unit (CRU).<sup>42</sup> In retrospect, de Lattre appreciated Guindey's intervention, which he described as "diplomatic" as Guindey remained loyal to his former colleague and supported the proposals made by de Lattre and his team.<sup>43</sup>

Rueff expressed his disagreement with Guindey's diagnosis in a letter addressed to the former BIS manager. Rueff asserted that international cooperation did not address any structural problem of the system but instead perpetuated the U.S. deficit and worsened the global situation. He was convinced that the U.S. deficit would not be resolved unless the U.S. implemented a stronger monetary policy, in line with his analysis of interwar Britain. He also argued that a gold revaluation would be not more difficult than previous franc devaluations.<sup>44</sup> Guindey relayed these points to the Bank of France, which did not seem to react.

In the following Small Council of the French government, de Lattre and Guindey were invited as advisers. It was decided that France would follow Guindey's.<sup>45</sup> The French delegation within international negotiations would resist the creation of new liquidity facilities for the U.S. and reject any commitments by European central banks to maintain specific volume of dollars in their reserves. Even if de Gaulle was not entirely convinced by the idea of the CRU, they would

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<sup>42</sup> Monnet (2013).

<sup>43</sup> De Lattre (2000), p.154.

<sup>44</sup> Letter from Guindey, probably sent to governor Brunet at the Bank of France 'J'ai reçu de M. Jacques Rueff une lettre...' 26 November 1963. AN, AG/5(1)/2387. Bank of France Archives 1489200304/1

<sup>45</sup> 'Conseil restreint du 28 novembre 1963 sur les questions monétaires internationales, relevé de décisions.' 29 November 1963. AN, AG/5(1)/2346.

advocate for its creation, as Rueff's solution to a return to the gold standard was deemed unrealistic at that stage.<sup>46</sup>

De Lattre was responsible for shaping and defending the CRU within G10 negotiations. The concept of the CRU had originated from proposals for a "composite reserve unit" developed by Edward M. Bernstein, with whom de Lattre was acquainted since his position at the IMF in the 1950s.<sup>47</sup> Bernstein suggested replacing the dollar with a new international reserve unit issued by the IMF, composed of specified percentages of each of the G10 currencies and the Swiss franc.<sup>48</sup> De Lattre added that the new currency should be pegged to gold to ensure its stability. The CRU would replace the dollar and all other currencies in central banks' foreign exchanges. The dollar would only retain its role as vehicle currency in the private sector. By liquidating the dollars held by G10 countries' central banks, the system would stabilize the dollar's international circulation. Unlike Bernstein, de Lattre suggested that the BIS should issue the new currency.<sup>49</sup> The CRU would be received by participating countries via a swap with their national currency.<sup>50</sup> Each country would receive a share of the newly created CRU equal to the share of their gold reserves compared with the total of gold held in central banks. In 1964, de Lattre succeeded in having France's recommendations adopted by the G10 countries who collectively agreed to acknowledge the necessity of addressing international imbalances. They internally decided to work on the development of new reserve instrument and the establishment of a multilateral monitoring system for international credits, organized by the BIS.<sup>51</sup>

The French proposal was officially unveiled to the public in September 1964, during the IMF meeting in Tokyo. However, Dillon, the U.S. Treasury Secretary and Maudling, the British

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<sup>46</sup> Bank of France governor Brunet had previously advocated for the CRU at a BIS meeting in July 1963. Monnet (2013), p.11.

<sup>47</sup> IMF (1996).

<sup>48</sup> Triffin's solution for a new reserve unit "bancor" was not based on gold or nor existing currencies but also issued by the IMF. Maes and Pasotti (2021).

<sup>49</sup> « Note de M. de Lattre sur la création d'une unité de réserve collective », 21 March 1964. AN AG/((1)/2389. Reproduced in de Lattre (2000).

<sup>50</sup> « intervention de Monsieur de Lattre devant le groupe de Dix ». 27 January 1961. Archives du Ministère des finances, (hereafter SAEF) B-0069899.

<sup>51</sup> Note à l'attention du Général de Gaulle, Jean Dromer, 25 July 1964. AN, AG/5(1)/2386. For the text of the G10 ministers' declaration, see 'Déclaration ministérielle du groupe des dix et annexe préparée par les suppléants', Bank of France Archives 1489200304/1.

Chancellor of the Exchequer opposed the French idea, primarily due to its potential to reduce the reserve role of their currencies.<sup>52</sup> A new committee of experts led by the Italian, R. Ossola was tasked with further studying of the composition of foreign exchange reserves.<sup>53</sup> De Lattre continued to champion for the CRU, notably in a speech at the French Association for Bankers.<sup>54</sup> He found himself isolated within the Government, as both the Minister of Foreign Affairs Maurice Couve de Murville and the General Secretariat Etienne Burin des Rozières aligned with Rueff's ideas. They believed that only a return to the gold standard could solve the instability of the international monetary system. Couve de Murville had worked as Rueff's deputy manager in the Treasury in the 1930s, and he had earned de Gaulle's trust by joining the General's movement in Northern Africa in 1942.<sup>55</sup> In retrospect, de Lattre remained bitter of their influence on de Gaulle and their pessimism toward the potential reforms of the international monetary system that he was advocating for.<sup>56</sup>

#### **Taking Rueff's bet: choosing gold**

As speculations on sterling escalated at the end of 1964, the French government opted to reduce its exposure to the U.S. dollar, to safeguard French reserves from potential waves of devaluations.<sup>57</sup> De Lattre suggested that France make a dollar debt prepayment, as it had done in previous years. This solution's advantage was that it would artificially decrease the French surplus towards the U.S. and would thus be viewed as a concrete gesture of international cooperation. By contrast, a direct conversion of dollar into gold would be seen as an act of defiance towards the stability of the system and could lead to serious repercussions.<sup>58</sup>

However, on the 23<sup>rd</sup> of December 1964, de Gaulle, his Finance Minister Giscard d'Estaing, his Prime Minister Pompidou, and Couve de Murville decided to follow Rueff's suggestions to protect French foreign exchange reserves. De Lattre was not invited to the meeting. The French dollar

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<sup>52</sup> See Bordo et al. (1993) p.12. Archives de Lattre. SAEF B-0069900.

<sup>53</sup> De Lattre (2000), p. 155.

<sup>54</sup> Conférence de M. De Lattre « Les problèmes posés par la réforme du système monétaire international », Association Professionnelle des Banques. 17 November 1964. AN, AG/5(1)/2387.

<sup>55</sup> Couve was notably de Gaulle finance commissioner during the war. De Gaulle l'appelait Couve. (1999, December 26). *Le Monde.fr*.

<sup>56</sup> De Lattre (2000).

<sup>57</sup> Avaro (2023).

<sup>58</sup> Note pour le ministre, André de Lattre, 5 December 1964. SAEF B-52468

reserves would be reduced to \$400-\$450 million, toward roughly 8% of the Bank of France's reserves.<sup>59</sup> Contrary to de Lattre's advice, they chose that the new target of dollar holdings would be achieved through two extraordinary dollar conversions, one of \$150 million in January 1965 and another of similar in March. de Lattre's only recommendation that was endorsed by Giscard d'Estaing was to postpone until February other routine dollar conversions, to reduce the overall conversion size at the start of the year and lessen stress on the Fed's gold reserve.<sup>60</sup>

On February 4<sup>th</sup>, 1965, de Gaulle publicly defended the French conversions in a press conference, explicitly calling for a return to a gold standard: "We consider necessary that international trade be established, as it was the case, before the great misfortunes of the World, on an indisputable monetary base, and one that does not bear the mark of any specific country. [...] gold."<sup>61</sup> De Lattre lamented that the General had written his speech with minimal inputs from his advisors, describing it as "purely ruffien, a pure and simple apology of the gold standard".<sup>62</sup> The CRU proposal was conspicuously absent. De Lattre opposed the new policy on dollar conversion and resisted the mention of a gold price increase, which would have been a gift to speculators.<sup>63</sup>

A few weeks later, while on skiing vacation, de Lattre learned that his directorate was dissolved and the Foreign Affairs competency was transferred to the Treasury directorate, led by Maurice Pérouse. In the transfer, de Lattre's position was eliminated. A member of the directorate later acknowledged the difficulty of the France's international monetary position, stating that "one had to be willing to die on the gold trench".<sup>64</sup> In his memoirs, de Lattre recounted that the General met with him and explained that the reason for his dismissal was that France "will adopt, on these matters, a stricter attitude and after all the efforts that you have made, you could have been

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<sup>59</sup> A special provision equal to the payment of the remaining dollar debt would also be created, amounting to \$660 million. This provision was probably held by the Treasury as it did not appear in the Bank of France balance sheet.

<sup>60</sup> Note pour le ministre, André de Lattre, 28 December 1964. AN, AG/5(1)/2393

<sup>61</sup> "Nous estimons nécessaire que les échanges internationaux soient établis comme c'était le cas avant les grands malheurs du monde sur une base monétaire indiscutable et qui ne porte la marque d'aucun pays, en particulier. [...] l'or." Charles De Gaulle, Paroles Publiques - Conférence de Presse Du 4 Février 1965 - Ina.Fr', Charles de gaulle - paroles publiques, accessed 18 June 2021, <http://fresques.ina.fr/de-gaulle/fiche-media/Gaulle00105/conference-de-presse-du-4-fevrier-1965.html>.

<sup>62</sup> De Lattre (2000).

<sup>63</sup> Entretien biographique avec O. Feiertag, entretien n° 5, cassette n° 8, Comité pour l'histoire économique et financière de la France, 1993. Cited in Quennouëlle-Corre (2013), chap.10. On de Lattre's departure, see also "M. André De Lattre Sous-Gouverneur De La Banque De France." *Le Monde*, 16 June 1966.

<sup>64</sup> "il fallait se faire tuer sur la tranchée de l'or" Entretien de R. Larre avec S. Coeuré, entretien n° 5, cassette n° 5, Comité pour l'histoire économique et financière de la France, 1990. Cited in Quennouëlle-Corre (2013), chap.10.

embarrassed.” The British and American press viewed de Lattre’s departure as a bad omen for the French-American financial diplomacy. Princeton University offered him a visiting position, “in accordance with its tradition of welcoming persecuted intellectuals.”<sup>65</sup> de Lattre opted instead to embark on a mission to India with the World Bank.

Meanwhile, Rueff was ecstatic about de Gaulle’s speech.<sup>66</sup> He granted an extended interview to *the Economist* where he reiterated his main arguments and called, more openly than before, for an increase in the price of gold, as first step towards dismantling the Bretton Woods monetary system.<sup>67</sup> In 1965 and 1966, he wrote more frequent notes to the President, attacking for instance the report of the Ossola group. Rueff criticized the proliferation of credit facilities and the inflationary risks associated with the creation of new reserves instruments.<sup>68</sup> However, the negotiations on the creation of a new reserve instrument continued through different cycles, and the Special Drawing Rights were launched in 1970.<sup>69</sup> France adhered to its own course, converting dollars into gold until the latter half of 1966.<sup>70</sup> In January 1966, de Gaulle personally wrote to his advisors that “there can be no valid international currency outside of gold as the standard and the sole standard. Any creation of a new currency can only obscure this truth.”<sup>71</sup>

### **Was the U.S. dollar really ailing?**

While Rueff and de Lattre were debating solutions for the dollar problem, other money doctors understood the situation differently. One such viewpoint came from Charles Kindleberger, American economist, MIT professor, who offered a different view on the situation of international payments. In a 1966 paper “The Dollar and World Liquidity: A Minority View” written with Emile Despres from Stanford University and Walter S. Salant from Brookings, he contended that the volume of circulated dollars did not reflect an American overinvested abroad but rather the supply of a financial intermediary service, in the form of dollar liquidity provision for non-U.S.

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<sup>65</sup> De Lattre (2000), p.158-60.

<sup>66</sup> Peyrefitte (1997). p. 81.

<sup>67</sup> The interview is reproduced in Rueff (1971).

<sup>68</sup> Jacques Rueff « Des plans d’irrigation, pendant le deluge ». 15 September 1965. AN AG/((1)/2389.

<sup>69</sup> See notes from André de Lattre, SAEF B-0069900, Solomon (1976), and Bordo (1993).

<sup>70</sup> Avaro (2023).

<sup>71</sup> “il ne peut y avoir de monnaie internationale valable en dehors de l’or comme étalon et seul étalon. Toute création d’une monnaie nouvelle ne peut que dissimuler cette évidence” De Gaulle, 31 January 1931. Secret note. AN AG/((1)/2351.

firms. The U.S. balance of payments deficit, they argued mirrored international demand for dollar. This demand translated into growing private holdings of liquid dollar assets. The authors also blamed foreign governments, economists and central bankers for failing to understand this function of the dollar and spurring gold speculation. Drawing a parallel with a bank and its depositors, they asserted that as long as the U.S. economy was sound, holders of dollars had no rationale incentive to run the dollar. Triffin and Rueff's predictions of an impending collapse of the international monetary system had been wrong since the late 1950s, as they failed to grasp the functioning of an international financial center.

Some events anticipated by the French money doctors became reality. Following sterling's devaluation in the late 1968 and the end the "gold pool" syndicate in March 1968, G10 central banks had to let the price of gold increase in the London gold market. The U.S. eventually accepted a devaluation of the dollar in the Smithsonian agreement of December 1971. Both Rueff and de Lattre had considered similar scenarios.<sup>72</sup> However, in the post-Bretton Woods monetary system, the U.S. has reigned as the hegemonic international currency, playing the role similar to that described by Kindleberger, and gold has been demonetized. France had little choice but to cooperate with the Fed, as de Lattre had advised.

De Lattre's sidelining did not last long. In May 1965, de Gaulle told his advisors that his former advisor needed to be appointed as soon as possible at the Bank of France. De Lattre thus became deputy governor of the Bank in 1966.<sup>73</sup> During the last decades of his career, he worked as president of the Credit National (1974-1982) and managing director of the Institute of International Finance in Washington (1982-1986).<sup>74</sup>

Rueff died in 1978 but three years before his death, he was still advocating for a global return to the gold standard, despite the end of the Bretton Woods monetary system and the international demonetization of gold. In one of his last pieces ever published in the leading French newspaper *Le Monde*, he claimed that the inflation problem that affected most economies in the seventies was

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<sup>72</sup> Bordo (2019)

<sup>73</sup> De Lattre (2000), p.195.

<sup>74</sup> De Lattre (2002), Cuff, D. F. (1983, June 14). BUSINESS PEOPLE; Finance Institute Picks First Director. *The New York Times*.

the result of the lavish monetary creation permitted by the removal of the gold anchor of the dollar.<sup>75</sup>

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<sup>75</sup> Rueff, J. (1975, June 17). I. - “L'écroulement des illusions.” *Le Monde*. cited in Minart (2016),



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