Arthur Bloomfield and the West Indian Federation

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Men can live at a high emotional level only for limited periods. If they have striven and have achieved nothing, they cease to strive.

—W. Arthur Lewis, *The Agony of the Eight* (1965: 24)

Abstract: Money-doctors played a crucial role in establishing and advising central banks in underdeveloped countries in the 20th century. However, the Bretton Woods order transformed the doctors' prescriptions after the second world war. Arthur Bloomfield was a part of this "new generation" who attempted to equip central banks with wide-ranging policy tools in contrast to the rigid instruments proposed by the previous generation of experts. Bloomfield's assignment to the British West Indies in 1960-1961 is an example of the change in vision of US foreign monetary policy. A significant characteristic of the new tradition was to let the environment of the country or region determine the exact approach of central banking. Therefore, the political and economic conditions of the West Indies, and the efforts to achieve regional integration and gain independence, were a principal consideration for Bloomfield and his advice for the region.

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1. Introduction

Arthur Bloomfield (1914–1998) arrived in the British West Indies in December of 1960, where he stayed for about three weeks on two trips to Trinidad and Jamaica. Though a short stay, this

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was a definitive period for the countries of the West Indies. Jamaica was on the eve of holding a referendum, where they would vote on whether to secede or remain in the West Indian Federation. The West Indian Federation was a loose political organization of ten British colonies in the Caribbean: Jamaica, Trinidad, and the "eight."[1] The goal was to achieve independence from the Motherland and enhance the region's development. Constant conflict from the area's most prominent politicians doomed the Federation, lasting only four years, from 1958 to 1962. These were the Premier of Jamaica, Norman Manley, the Premier of Trinidad, well-known economic historian Eric Williams, and the Prime Minister of the Federation, Sir Grantley Adams.

Sir Arthur Lewis, a St. Lucian national, Economics Nobel Prize Laureate in 1979 for his pioneering work in economic development, and an activist for the Federation, invited Bloomfield on recommendation from Robert Triffin.[2] Lewis and the rest of the West Indies needed an expert on central banking and Bloomfield's job was to give advice for the formation of multiple central banks within the West Indian Federation. Lewis outlines the main issue in his invitation letter: "One of the problems of our newly created Federation is the coordination of central banking. Jamaica is establishing a central bank, and so is Trinidad, and so also is the Federal Government; so we are threatened with three central banks in this small area which some people believe does not even need one central bank."[3]

The major conflict of the West Indian Federation was the competing view on political power between the two biggest territories: Jamaica and Trinidad & Tobago. Jamaica wanted a weak federation with most of the power maintained in the individual units. Trinidad, on the other hand,

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[1]Antigua, Barbados, Dominica, Grenada, Montserrat, St. Kitts-Nevis-Anguilla, St. Lucia, and St. Vincent.
[2] Triffin stated he was busy with "Congolese negotiations, and more recently by [his] involvement in our own gold and dollar problems", but Bloomfield was his first choice. Robert Triffin to Arthur Bloomfield, 9 December 1960, box 1 (incoming correspondence), folder 1960, Arthur Bloomfield Papers, David M. Rubenstein Rare Book & Manuscript Library, Duke University.
[3] Arthur Lewis to Arthur Bloomfield, 29 November 1960, box 1 (incoming correspondence), folder 1960, Arthur Bloomfield Papers, David M. Rubenstein Rare Book & Manuscript Library, Duke University.

favored a centralized federation where resources would be redistributed from the stronger to the weaker territories. Rather than assisting to bridge the gap between the territories, Prime Minister Adams tended to add fuel to the flames by upsetting Williams and Manley. The vision for central banking arrangements followed the same dichotomy as the view for political power. Jamaica was for autonomous regional central banks, while Trinidad wanted the regional banks to be operating arms of the West Indian Federation Central Bank. At the time of Bloomfield's arrival, the Jamaican outlook of political and central banking arrangements had 'won', and the constitution was being finalized.

Bloomfield's advice for the region is found in *Central Banking Arrangements for the West Indian Federation* (1961). An analysis of his contributions to the West Indies unveils the continuity and flexibility of Bloomfield's methods throughout his career. As a money-doctor since the late 1940s, Bloomfield thought central banks in underdeveloped countries should be equipped with wide-ranging tools, but they were restrained in terms of policy making by their historical and institutional conditions. In this respect, Bloomfield approached the West Indies in the same way as his previous missions and studies of central banking. However, every mission was unique which required distinctive considerations. This approach is a significant break from the previous generation of money doctors in the Kemmerer era,[4] who preached the same message for all countries.

To understand Bloomfield's *modus operandi* and his significance, we begin with an outline of his biography and experiences while emphasizing his role in post-WWII money-doctoring. Given his attentiveness to specific conditions, we describe the environment of The West Indian Federation and the banking system of the area at the time of his visit in the following section. In

[4] Kemmerer is most known for his involvement in Latin America during the inter-war years, but his first mission was to the Philippines in 1904 (Gomez-Betancourt 2022).

Section 5, we analyze Bloomfield's report for the Federation. The final section concludes the study. Our objective is to provide an example of the continuity and flexibility of US monetary foreign policy in the post-war period and the role of economists under this framework. The West Indies in the early 1960s were small island colonies seeking to unify and establish independence. The distinctiveness of this environment is a perfect setting to analyze the stated objective. In addition to published sources, the study draws upon a comprehensive review of the Bloomfield's archives held at The David M. Rubenstein Rare Book and Manuscript Library at Duke University and the Arthur Lewis's archives located at Princeton University's Department of Special Collections Library.

2. Arthur Bloomfield's Background

2.1. Context and Influences

After graduating from McGill University in 1936, Bloomfield pursued a PhD in Economics at the University of Chicago, where he was exposed to various personalities and perspectives (Asso and Fiorito 2013). At Chicago, he was a student of Frank Knight and Jacob Viner. Another influence outside the university was Robert Triffin (Alacevich and Asso 2009: 250, 252). Among these three economists, Viner was "undoubtedly the dominant intellectual influence in [his] life" (Bloomfield 1994: 5). It therefore is reasonable to hypothesize that Viner's views on central banking and monetary matters greatly influenced Bloomfield. They were both Canadian-born economists trained at McGill University and the University of Chicago, and had interests in the history of economic thought and international monetary economics. Further, like Bloomfield, Viner was "an economic adviser actively engaged in public service" particularly in the international monetary field (Nerozzi 2011: 56).

Viner supervised Bloomfield's doctoral dissertation on capital movements, which blended international economics and the history of economic thought. Bloomfield (1994: 6) adds that it was from "Viner that I learned the importance of knowing the real world and real-world problems before attempting to apply abstract economic theory to reality, especially when offering policy recommendations." This statement offers the key to understanding Bloomfield's role as an economic advisor to the West Indies and the type of recommendations he offered, one that is distinct from the top-down model of money-doctoring practiced by Edwin Kemmerer (Alacevich and Asso 2009). It also helps to understand Bloomfield's pragmatic stance when he posits that "central banking in [developing] countries should not necessarily be evaluated in terms of the standards and criteria applied in the more developed ones" (Bloomfield 1957: 197).

Like Viner, Bloomfield favored a discretionary approach of monetary policy (Bloomfield 1992: 2076; Alacevich and Asso 2009: 250). Viner (1962: 252–59) firmly held that monetary authorities should have the latitude to use a wide range of discretionary power and flexibility to conduct their policies, thus rejecting Milton Friedman's rule regarding a constant rate of increase in the money stock (Irwin 2016). Viner (1962: 245) argued that the rule "can be an instrument of tyranny," predicting future price levels was impossible, and that central banking should promote employment and growth along with price stability. Therefore, central banking should be done in a discretionary manner.

Under the Kemmerer-type central banking, all countries received the same suggestions and policies. "The central recommendations of the Kemmerer missions remained remarkably constant over time" (Eichengreen 1994: 113). It was thought that applying the gold standard would automatically solve monetary issues (Gomez-Betancourt 2022: 484). This automatism is what Bloomfield labeled the 'myth' of the gold standard. Kemmerer and his followers implemented a strict code for underdeveloped countries to stabilize prices and exchange rates and raise international investment. The program promoted external stability through automatic monetary adjustments, however the passive monetary policy left countries vulnerable to external shocks which reinforced inflationary tendencies (Helleiner 2003: 251). Triffin (1946: 64) noted, "The main result of 'orthodox' gold standard policies, under such circumstances, was to propagate to the world at large any cyclical disturbance arising in major industrialised nations."

From 1941 to 1958, Bloomfield joined the Federal Reserve Bank of New York as a research economist and eventually became an officer. After, he joined the faculty of the University of Pennsylvania where he remained until his retirement in 1985. During his time with the Federal Reserve, he began visiting several developing countries to advise on central-banking related issues. Bloomfield's foreign assignments and visits "helped to improve [his] ability to adjust economic and monetary theories to the facts of differing real-world backgrounds and situations; and they increased [his] knowledge of, and interest in, the economics of growth in the special framework of developing countries" (Bloomfield 1994: 17).

The Keynesian economics revolution sparked a new approach to central banking which broke with Kemmerer's principles. It was pioneered by Robert Triffin in his missions to Paraguay in 1943-1945 who oversaw Latin America in the International Section of the Federal Reserve in Washington (Maes and Pasotti 2021: 43–44; 50). Bloomfield and others soon followed,[5] and they provided central banks the power to foster economic development through influencing financial and foreign exchange markets (Helleiner 2003: 250-57). Well-designed central banking should enhance internal stability, "insulate the national economy from international disruptions" (Helleiner 2003: 252), and be flexible with a wide range of powers. The shift in the international

[5] Bray Hammond, John Exter, Henry Wallich, David Grove, John Jensen, and John Williams (Urquidi 1991).

order from the gold standard to Bretton Woods set the seeds for the new style of central banking by granting more power for discretionary central banking. It also corresponded with the cold war and increased US involvement in the international sphere, which meant extending its relations with developing and developed countries alike with strategic missions of American foreign financial advisors (Helleiner 2003).

2.2. Bloomfield's Vision for Central Banks

In *Some Problems of Central Banking in Underdeveloped Countries,* Bloomfield laid out his vision for central banking in developed countries which was consistent with Triffin's agenda. For Bloomfield (1957: 195), "the basic objectives of monetary policy, and indeed of fiscal policy, do not differ greatly in underdeveloped countries from those in the more developed ones, despite the widely differing economic and social frameworks. … But there is likely to be a substantial difference in emphasis on these goals in the two sets of countries. In developed countries, the avoidance of inflation and deflation is usually the primary objective. In underdeveloped countries, on the other hand, the promotion of economic growth tends to overshadow all other goals of national economic policy." Although he was critical of monetary policies that place economic growth over financial stability, Bloomfield thought central banks could still assist in development through influencing the direction of resources. This could be done through various tools such as loan ceilings, exchange controls, and local asset requirements.

According to Bloomfield, there are three major distinctions in the conditions of underdeveloped countries relevant to central banking. First, they are constrained by a primitive financial system. "Money does not play the same pervasive role that it does in developed countries" (Bloomfield 1957: 192). In underdeveloped countries, a good portion of the economy is in the informal sector, which may be dominated by barter transactions. It is necessary to increase the number of commercial bank branches in the informal sectors and to establish a market for government and financial securities, which will set the groundwork for effective monetary policy and the attraction of investments.

Second, underdeveloped countries have a smaller domestic sector and a concentration of exports in a few industries, which makes them more susceptible to externally generated fluctuations. The passive monetary policies in the Kemmerer era made this situation worse. In extreme cases, like the West Indies, the growth path of these economies is almost completely determined by the movement in demand for their exports. “Such money supply changes are not easily subject to the control of the central bank” (Bloomfield 1957: 194). For example, a contraction in export demand will create a balance of payments deficit. Monetary policy consistent with expanding credit to commercial banks could help cushion the deficit and prevent more drastic contractions, but this will not reverse the external demand so the problem will still need to be solved. To counteract, Bloomfield proposed a combination of counter-cyclical monetary and fiscal policies. During export booms, central banks should refrain from expanding credit, and the government should increase taxes and lower government expenditure. This will prevent incomes and imports from rising significantly and lead to a balance-of-payments surplus in exchange reserves. The authorities can build up a surplus during positive foreign demand shocks for use in adverse foreign demand shocks, thereby creating a smoother business cycle.

Lastly, central banks in underdeveloped countries tend to exacerbate financial instability by succumbing to development urges and expanding credit. Bloomfield (1957: 193) states that the lack of resources in these economies “contribute to strong political pressures upon the central bank to extend credit unduly.” However, he understood that central banks and monetary policy are not the only contributors to financial stability. Fiscal, wages, and other policies are equally important.

Therefore, coordination between the central bank and the government is essential. However, it was necessary that central banks could use their own discretion in policymaking:

> Although the government and the central bank must of necessity be in close and continuous consultation on a wide range of matters, effective monetary policy also requires that the central bank should exercise, and be encouraged by the government to exercise, a wide measure of freedom in policy-making, in operations, and in independently developing and expounding its own point of view on the basis of its objective appraisal of the situation at hand, freed from short-run political pressures which may often conflict with the long-run welfare of the economy. (Bloomfield 1956: 270)

Bloomfield modernized central banking in Indo-China and South Korea.[11] His South Korean missions in the late 1940's to early 1950's primarily dealt with the problem of political interference in central bank policies, which drove credit expansions and inflationary tendencies in the economy (Alacevich and Asso 2009; Bloomfield and Jensen 1951). Amid the Korean War (1950-1951), Bloomfield "was put in military uniform and given the rank of assimilated colonel" (Bloomfield 1994: 11). Bloomfield and his colleague, John P. Jensen, created the constitution for the Bank of Korea and equipped it with the functions of a modern central bank. The most important innovation of the new constitution was the monetary board, a representation of economic interests across the country, who could enact policies under the Bank's constitutional rules. The board would create the necessary independence from political interference. The constitution from the Bloomfield mission has lasted till this day.

Alacevich and Asso (2009) observe that "the Bloomfield mission showed great sensitivity for the historical and institutional features of the South Korean banking and financial system" (267). However, Bloomfield's mission was a significant departure from Triffin's in Latin America. For Bloomfield, central banking should work to "solving Korea's immediate problem, namely, that of bringing the present inflationary spiral under control" (Bloomfield and Jensen 1951: 161).

Conversely, Triffin placed a higher priority in monetary policy geared toward development with much less concern for inflation (Triffin 1946; Alacevich and Asso 2009: 267). This difference was not a disagreement between the two economists, but rather the result of different institutional settings from the two regions and highlights the flexibility of the post-WWII money doctors. Bloomfield's mission to the West Indies is noteworthy because the environment of the region caused his approach to be back in line with Triffin's. That is, placing priority toward development.

As part of the Wilbur Foreign Policy Commission in the mid-1950s, Bloomfield's job was to oversee the creation of three separate central banks for the three Indo-China countries: Cambodia, Laos, and South Vietnam. Previously, these countries were linked by a currency board controlled by their colonizer, France. These missions were during a tense period between South and North Vietnam. By the time Bloomfield returned for his second trip in 1954, "the French had been defeated by the Viet-Minh" (Bloomfield 1994: 12). The central banks were limited during their establishment because of social disruptions from the Vietnam War and a lack of experienced personnel. Bloomfield advocated for flexible constitutions for each central bank to account for the significant changes occurring in the area during that time.

Overall, Bloomfield (1957: 204) thought it was necessary and desirable to move toward "a theory of central banking policy appropriate to the economically [underdeveloped] countries," a conviction he acquired based on his several years of experience visiting and advising foreign countries and institutions. There is some continuity in Bloomfield's diagnoses of central banking across his work. Most importantly, the goal was the same: to equip central banks with a wide range of tools and to foster an environment conducive to long-term development while maintaining financial stability. In all his work, he saw protection against externally generated shocks, the need for a government securities market, and channeling resources for development as essential central bank functions. For the West Indies, he placed less emphasis on political interference, inflationary expansions, and increasing the role of money, not because he changed his mind but because West Indian authorities had a grasp on these issues. Rather, the West Indies' priority was promoting development and cooperation across the region.

3. The West Indian Federation[6]

Trinidad and Jamaica were well beyond the “eight” in size, development, and population. Six out of the eight were reliant economically and politically on their colonizer. At the Montego Bay Conference in 1947, Alexander Bustamante, the Premier of Jamaica, who played a pivotal role in the Federation’s demise, charged the British government with dumping their responsibilities on Trinidad and Jamaica and setting up “The Federation of Paupers.”[7] Leaders agreed with Bustamante to delay the beginning of the Federation to 1958 to give the smaller islands time to develop on their own. Dudley Seers, the British economist, pointed out “the coming of federation will tend, if anything, to cause the gap between rich and poor islands to widen, rather than close” (Seers 1957: 204).

The Federal Government had no real powers. The only source of revenue would be a mandatory levy from the islands,[8] the capital would be in Trinidad, and the constitution would remain unaltered for a grace period of five years. The primary politicians of the Federation were: Williams of Trinidad, Manley of Jamaica, and Federal Prime Minister Adams, three friends, members of the same party, graduates of Oxford University, and firm advocates of federating. It was apparent prior to 1956 that Jamaica and Trinidad had opposing approaches toward the

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[6] For a detailed account, see Mordecai (1968). See also Archibald (1962), Killingray (2000), Padmore (1999), and Wallace (1961).
[7] Proceedings of Montego Bay Conference, Colonial No. 218, HMSO 1948 pp. 20–27.
[8] The levy was used to grow the University of West Indies: a campus opened in Trinidad in 1960, and the campus in Jamaica was improved. It was also used for the incomes and facilities of the Federal administration (Mordecai 1968: 78).

Federation. However, Mordecai (1968: 158) claims, “This Federation was destroyed more by such failings among its leaders, than the issues that divided them.”

For the West Indies, federating was the quickest way toward independence, especially for the smaller islands. It would also combine the territories into a larger nation, giving them more power in international negotiations. The Federation would integrate the economies through the increased movement of people, goods, capital, and ideas, which could foster development and make the West Indies less “export-propelled.”[9] Another essential reason to federate was that it could help with exposure to recessions. Recessions faced in one country or area could be partially offset with help from another country or area. Lastly, corruption was widespread, and accountability is difficult to enforce on small, poor islands often dominated by one political party. Arthur Lewis (1965: 20) insisted, “The fundamental reason for federating these islands is that it is the only way that good government can be assured to their peoples.”

The three most significant conflicts were a product of the differing visions of the Federation between Jamaica and Trinidad and dealt with economic issues: 1) Customs Union, 2) Freedom of movement, and 3) Federal finance (Wallace 1961). Jamaica had a development program which could be interrupted by a strong federation. Therefore, the Jamaican leaders wanted a weak federation with limited financial resources of the federal government, delayed implementation of the customs union, and had no strong opinion on freedom of movement since this did not affect her.[10] Trinidad wanted the opposite: full implementation of a customs union, significant financial powers of the federal government funded by taxes, and a strong opinion on freedom of movement.

[9] The Plantation School Economists of the Caribbean use this term to describe the centrality of foreign demand for incomes in the Caribbean. For reference, see Best and Polanyi Levitt (2009).

[10] The Jamaican proposal for a loose West Indian Federation is detailed in the Government Ministry Papers no. 3 (1959) and no. 18 (1960). Williams detailed the Trinidadian proposal for the federation in *The Economics of Nationhood* (1959)

Trinidadian officials feared that immigration into Trinidad from the smaller, less-developed islands could potentially reach extreme levels with the coming federation and create social disruptions.[11] Nonetheless, Williams felt the role of the Federation was "to bridge the gap between the relatively 'better-off' territories and their less fortunate brethren" (Williams 1959: 10).

On May 31, 1960, Bustamante and his political party, the Jamaica Labour Party, announced their campaign against the Federation. Manley immediately responded that Jamaica would hold a referendum to decide its future in the Federation. Manley thought the Federation needed to be permanent in the people's minds, and he never expected to lose. Time was not on Manley's side. He wanted to work out the constitution of the Federation before the referendum took place. If not, the uncertainty could work against him at the polls. Despite Manley's effort to speed the process up, it would take sixteen months for the referendum to take place. This lengthy period allowed Bustamante to unleash a campaign against the Federation.

The Inter-Governmental Conference in May and the London Conference in May-June 1961 finalized the proposed constitution. These two conferences confirmed the Jamaican 'victory' but were considered failures.[12] The new constitution set the date of independence for the West Indian Federation as May 31, 1962. Revenue for the federal government would total only $28.3 million a year and be exclusively derived from customs duties on items from List I.[13] Income tax and industrial development could be shifted to federal control with approval from the units. The approval formula granted Jamaica permanent veto power as it was based on population. Freedom

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[11] For Trinidad, customs union and freedom of movement were inseparable because a strong federation meant the poorer islands would converge with the more developed islands, like Trinidad. Therefore, there would be less reason to migrate for economic opportunities

[12] Though, Manley reported them as 'successes' to increase the chance of winning the referendum (Mordecai 1968: 394). They were failures because nobody left happy; the delegates refused to sign the final report (Padmore 1999: 56). Even though he got what he wanted, Manley left on bad terms with the Trinidadian delegation and the smaller islands.

[13] Federal negotiations established lists of goods based on their importance to development for the islands. 418 items were on List I and they were those that were deemed not important for development such as food, clothing, etc. (Mordecai 1968: 316;347)

of movement and customs union would be adopted incrementally, and full adoption would occur in nine years (Mordecai 1968: 374–76).

4. Money and Banking System

Bloomfield was in the West Indies for two and a half weeks from December 1960 to January 1961 and then again in July 1961. At the time the West Indies was part of the sterling exchange area. There were two systems in place, the Jamaican and the Eastern Caribbean system, which oversaw Trinidad, the "eight," and British Guiana. The Jamaican Currency Board issued the Jamaican pound, but the opening of a central bank, the Bank of Jamaica, in May of 1961 replaced the currency board. The Eastern Caribbean had the British Eastern Caribbean Currency Board that issued the British West Indian dollar.[14] The currency in each system was also legal tender in the other starting in 1955, but there was only a limited amount of inter-system circulation. Under the sterling exchange area, the exchange rates were fixed and both currencies were pegged against the sterling, which was pegged to the gold-backed US dollar. This would not change with the formation of central banks.

However, Bloomfield (1961: 7) states, "Banking plays a relatively more important role in the West Indies than in many other underdeveloped countries." Compared to other countries in the "South," the West Indies had large demand deposits held by the public, savings, and more cash in circulation. However, the commercial banks were largely foreign-owned and operated by their head offices in London. The West Indies lacked a market for government and financial securities, and the banking system was unintegrated. The Eastern Caribbean and Jamaica banks were less related to each other than with London. Creating a relationship will be a significant step for the

[14] The currency boards were simply money changers. They issued currency to commercial banks, which were obligated to deposit an equivalent amount of sterling to the currency board's credit in London. They redeemed currency from commercial banks by issuing out an equivalent amount of sterling.

formation of the West Indian Federal Central Bank and the integration of the area. As export-propelled economies, foreign demand determined the growth path of the West Indies. The susceptibility of these economies to external movements could be reduced through expanding domestic sectors, shifting export production to non-volatile areas, holding more local assets, and strategic counter-cyclical monetary-fiscal policy to smooth out the business cycle.

The views on central banking arrangements reflected the differences in vision for the Federation. Trinidad favored a unified central bank of the Federation with regional banks operating as arms of the center. Jamaica favored autonomous regional banks that would cooperate through a central Federal Board but would be free to conduct their own policies. The Jamaican view, just as with the other political arrangements, won. However, Bloomfield states that Jamaican officials were open to a more centralized central banking structure once economic and political integration of the area proceeded, even if the Federation was still a loose organization overall (Bloomfield 1961: 14).

The establishment of central banks would give power and responsibility to the West Indies to foster their development. Bloomfield's analysis occurred after the London Conference in June of 1961, though most was written before. The information he had was that a loose Federation would continue to exist alongside a loose central banking arrangement with regional autonomy. Jamaica had just opened its Central Bank, and the Eastern Caribbean was still under the Eastern Caribbean Currency Board, with a central bank being prepared in Trinidad.[15] It was unclear at the time if the rest of the Eastern Caribbean would join Trinidad or if they would create their own central bank. However, Bloomfield hoped for the former and assumed so throughout his analysis.

[15] Bloomfield predicted this would take at least a year to open. It took three years.

5. Bloomfield's report for the Federation

Bloomfield recognized three challenges for central banking that were specific to the West Indies: *regional cooperation, arrangement change,* and *local enhancement*.

In 1961, Bloomfield was a perfect candidate for Arthur Lewis and the rest of the Federation to give advice on the design of central banks. He was already an accomplished economist with experience advising central banking in developing countries during periods of conflict. In the West Indies, tensions were tight as Jamaica was threatening to leave the Federation, agreements were made behind closed doors, and politicians accused each other of personal sabotage.

He also aimed to offer a flexible agenda applicable to various political associations and never opined on what association was best. Bloomfield's analysis would not ruffle the constitutional negotiations; however, it does leave a lot of unanswered questions, which could have helped the Federation survive. For example, Bloomfield never outlined the benefits of a federation from a monetary standpoint, which could have been vital for the Jamaican people to hear with the referendum looming. Importantly, Bloomfield was not British. At the time, British foreign monetary policy was geared toward protecting the sterling area so the unorthodox proposals of Triffin and Bloomfield that placed discretion in the hands of West Indian officials would not be the strategy of British officials (Helleiner 2003: 257–63). Regarding the organization of the West Indies Federation, Bloomfield (1961: 14) states, "If the issue were to be decided on purely economic grounds alone, it would be difficult to reach a firm conclusion. But the issue is in large part a political one, on which an outsider may be pardoned for reserving judgement."

Unlike Bloomfield's previous missions, he was not setting up a central bank as a Federal Reserve employee but giving advice about potential central banking arrangements for a group of islands coming together in a federation. Observing the central bank statute of the Bank of Jamaica, Bloomfield was pleased with its execution and advised Trinidad to follow a similar structure. The Caribbean had plenty of professionals in this aspect. Many West Indians were trained and taught at top schools worldwide, and Bloomfield had faith they would conduct sound monetary policy in accordance with his and Triffin's approach to central banking.

Central banking in the West Indies posed challenges unique to underdeveloped countries gaining independence globally. First, *regional cooperation* was an obstacle as the Federation would be joining islands that were historically separated, especially in the case of Jamaica and the rest. There would effectively be three central banks that were free to act as they pleased for the time being.[16] Bloomfield (1961: 21) asserts, "A key requirement of the West Indian federal central banking arrangements currently envisaged, will be that of providing appropriate machinery for some measure of co-operation and policy co-ordination between the regional central banks and the Federal Government."

In January of 1960, the British government specified that a minimum requirement for independence of the West Indian Federation was centralized control over the currency. For this reason, the subjects of "*central banking and of currency coinage and legal tender*" were placed on the exclusive list of federal powers. The wording of centralized control over currency is vague and could mean many things. It was interpreted to mean that central banks in the region must be 'centrally incorporated' but not need a common currency. Thus, a Federal central bank, under the guidance of the Federal Board, was a requirement for independence. Bloomfield mentions that a benefit to this form of organization, rather than just separate central banks, is that the West Indian central bank can more likely get membership approval from the International Monetary Fund

[16] Bank of Jamaica, Central Bank of Trinidad, and Central Bank of the West Indian Federation. There is also the possibility of a fourth in the Eastern Caribbean Central Bank.

(IMF) and the World Bank. The Federal Board's exact powers were unclear, but it would at least be a representation for the region in international organizations.

No matter the exact powers of the Board, there were situations when cooperation with it and between the two regional banks was required. An example by Bloomfield is when foreign reserve depletion is happening in one or both regions. The Board should care for the reserve position of the whole area just like the monetary board Bloomfield established in South Korea, and the regions, at least for the time being, will probably care for themselves. Without automatic currency boards, the commercial bank head offices in London will be less accommodating in extending credit to the West Indies. The Federal Board should act, but their actions will depend on whether the deficits are caused internally or externally. Internally induced deficits are usually the result of unnecessary credit expansions, so the Board should implement anti-inflationary measures.

With external deficits the situation would be trickier, and as we have documented in Section 2, a combination of counter-cyclical monetary and fiscal policies which would raise reserves during booms for use during busts could smooth out the external shocks. Also, the Federal Government, acting on approval from the Board, could potentially go to the International Monetary Fund (IMF) for loan assistance. Another option was for one or both regions to implement measures of exchange controls or import restrictions, especially for countries in the Sterling area.[17] These restrictions would help keep resources within the country and therefore reduce the constraints on the balance of payments created by the deficit.

Bloomfield also mentions exchange-rate devaluations to raise exports and inter-region reserve loans if one region suffers from a drain as different examples of policies needing cooperation with the Federal Board during a negative shock. Bloomfield suggested that the final power should be

[17] This would have to be applied to the whole area upon establishing the Customs Union.

given to the center during conflicts of opinion. One could forecast this being more difficult than Bloomfield imagined. There have been very few instances where Jamaica, Trinidad, and the Center have agreed.

Another challenge for the West Indies is that the central banking structure should be prepared for *arrangement change* and could look completely different in a few years. There was the potential for various alternatives, including a highly centralized arrangement. Jamaica already said they were willing to concede regional autonomy in central banking if that was the best move (Bloomfield 1961: 14). Cooperation between the three Banks would also set up an easier transition to a centralized banking system in the future. Bloomfield predicted this to be the most likely path. Officials of the Federation pointed to the US Federal Reserve and the German Bundesbank as examples for central banking in the West Indies. Bloomfield disagreed, for both systems were envisioned as having regional autonomy, but they functioned as centralized systems. Bloomfield predicted this to happen, though more slowly, in the West Indies in four stages: 1) a Jamaican Central Bank and an Eastern Caribbean Currency Board; 2) a Jamaican Central Bank, a Trinidadian Central Bank, and an Eastern Caribbean Currency Board; 3) Jamaican Central bank and Eastern Caribbean Central Bank, and; 4) One centralized central bank with a common currency and regional arms in the East and Jamaica (Bloomfield 1961: 17).

Bloomfield speculated increased centralization of the central banking system because of the history of other central banks. It would also be natural to pursue joint policies between the two regions because of shared care for the position of the Federation as a whole. Bloomfield (1961: 29) states, "... there will be growing pressures for increasingly centralized monetary policy formation, for broadly uniform credit policies throughout the area, and for increased assumption of powers by the federal central banking board, even if the process of centralization does not grow at the same rate on other fronts."

Finally, *local enhancement* of commercial banks and assets was another hurdle for the West Indian monetary authorities and was Bloomfield's primary policy recommendation for the nascent central bank. Banks already played an essential role but were foreign-owned, and the assets of these banks were also foreign holdings. Various monetary tools such as discount rates and reserve requirement policies might be ineffective if foreign commercial banks could go to their head offices for loans instead of the West Indian central banks. Bloomfield consulted with banking officials in the West Indies and concluded the commercial banks do not necessarily care for the sterling position of the individual West Indian territories but rather the total of all their overseas branches together.[18] He found that banks had the freedom to borrow without the worry of draining sterling reserves because the head offices shifted sterling from areas of surplus to deficits. Due to the ease of borrowing by the commercial banks, the ratio of assets to deposits was volatile. The volatility "has depended upon the actions of private profit-seeking banks and may not always been best suited to the needs of the individual territories or the West Indies as a whole" (Bloomfield 1961: 9).

The West Indies needed to develop local commercial banks. However, the formation of central banks would change the behavior of foreign-owned commercial banks. According to Bloomfield, the monetary system would no longer be automatic, and foreign-owned commercial banks would be more cautious with their dealings in the area (Bloomfield 1961: 23). Local commercial banks would more likely deposit reserves in central banks in the West Indies. The central bank will then

[18] Bloomfield did state that some branches might care about the West Indies as a whole, but not the individual territories (Bloomfield 1961: 8).

“be in a position to exert some influence upon the lending policies of the commercial banks and thus on the amount of deposits that they could create” (Bloomfield 1961: 32).

For development purposes, increasing local assets would be beneficial. This could help with their exposure to outside shocks and increase the production of domestic sectors. Powerful tools that could be used to help raise local assets are loan ceilings to specific categories of investments and a minimum ratio of local assets to deposit liabilities for commercial banks. However, the central banks would need to work closely with the overall economic agenda of the region because such a policy, “in the absence of suitable local outlets, could merely result in the accumulation of excess reserves by the banks” (Bloomfield 1961: 33). This means that these tools should only be used if they are in line with the overall development agenda of an island or the region. This is an example of Bloomfield’s view on the complementarity between monetary and fiscal policies. Also, it highlights Bloomfield’s vision of discretionary central banking, one where the monetary authorities have room to implement policies as they see fit.

Another important aspect of local assets were markets for government and financial securities. This is central for development purposes and the area’s overall economic integration as it attracts domestic and foreign investment. Also, Bloomfield recognized the need for such markets for effective monetary policy, “open-market operations can be virtually ruled out as an anti-inflationary credit control instrument in view of the absence of a money and government securities market” (Bloomfield 1961: 32). The Bank could direct resources to specific channels in line with development needs through various credit control tools, such as import restrictions, exchange restrictions, loan ceilings, and local asset requirement ratios. Bloomfield proposed curbing credit expansions during periods of balance-of-payments deficits if the cause was excessive lending from the central bank or commercial banks. During reserve surpluses, they should only expand credit sparingly. Refraining from such expansion will allow them to increase the reserve pool for use during downswings (Bloomfield 1961: 19–20). It will also avoid inflationary tendencies.

For the West Indies, Bloomfield was most concerned with central banking as a means for development, which is more in line with the Triffin missions in Latin America. The reason is that West Indian officials were already "conservative" in their monetary policies, meaning they recognized the dangers of an inflationary agenda. Even when Bloomfield mentions limiting credit expansions, it is in the context of development and only secondarily dealing with inflation. For the West Indies, avoiding credit expansion was a means to raise the reserve pool for inevitable emergency recessionary funds. Comparing Bloomfield's priority in the West Indies vs. South Korea and Indo-China illustrates the flexibility of his agenda. He did not approach central banking in a dogmatic fashion, rather he let the specific environment determine his stance.

A common theme from his previous work is that the Central bank must establish trust within the financial community internationally and domestically. During the first years, it would be difficult for a new central bank to operate fully and utilize all monetary policy tools. Instead, moral suasion could be effective in establishing local respect and building a sense of West Indian unity. "In time, however, it is to be expected that the scope of the Banks activities will grow" (Bloomfield 1961: 35). Not mentioned by Bloomfield is the difficulty of pursuing moral suasion given the inexperienced Federal Central Bank and the foreign dominated commercial banks. This is even more troublesome considering the West Indian unity he relied on only existed in the Eastern Caribbean, to an extent, and not with over half the population of the region that resided in Jamaica.

Lewis claimed Bloomfield's report "was exactly what we had hoped to have."[19] Unfortunately, evidence of correspondence between Lewis and Bloomfield is limited to the invitation letter and a

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[19] Arthur Lewis to Arthur Bloomfield, 9 June 1961, box 1 (incoming correspondence), folder 1961, Arthur Bloomfield Papers, David M. Rubenstein Rare Book & Manuscript Library, Duke University.

brief thank you letter. However, the reception was not all praise. Prominent Caribbean economists, Lloyd Best and Alister McIntyre, published an article related to federal central banking after reading Bloomfield's unpublished draft (Best and McIntyre 1961). Although Best and McIntyre (1961) do share some commonalities with Bloomfield (1961), they challenged Bloomfield's stance on multiple fronts. In common, they both saw that the purpose of central banks in the area was to insulate the economy from external demand shocks. Also, there was agreement that central banks should be equipped with wide-ranging tools including foreign exchange controls.

However, for Bloomfield, the promotion of development was important, but if it led to internal instability, it should be abandoned. Best and McIntyre (1961: 353) put forth the opposite: "In respect of policy objectives we take it that top priority in Jamaica should be given to the fostering of economic growth, which so far as it involves monetary policy, requires the Authorities within the limits of their competence, to encourage the provision of maximum credit at minimum cost in support of productive investment." The West Indian economists felt that some inflation was necessary for economic development.

They also had competing views about the effectiveness of moral suasion. For Bloomfield (1961), moral suasion was a powerful tool because of the ineffectiveness of monetary policy and the small number of commercial banks. Best and McIntyre (1961) were more skeptical that commercial banks would respond accordingly to moral suasion.[20] They state, "commercial banks are profit-oriented and owe allegiance to an outside system, there is no warrant for presuming that they will respect "the nod from local headquarters" except under very special conditions" (358). Best and McIntyre (1961) recognized the limitations of a new, weak central bank who had no real control over the actions of the commercial banks.

[20] In this passage, Best and McIntyre (1961: 358) cite Bloomfield directly.

Although Bloomfield was made aware of the publication by Best and McIntyre, he did not address it. The instance is vital because it shows the differences in opinion between an outsider and those on the inside. The domestic economy and institutional framework of the West Indies was harmed by years of slavery, colonialism, extraction, racism, inequality, etc. For Best and McIntyre (1961), the establishment of central banks granted the opportunity to break ties with the relations that has made the West Indies dependent on their colonizer and other advanced nations. They saw the need for drastic change which necessitates large credit expansions by the central bank, "We see it as one of making a break with the past by undertaking a total reorganization of the local economy and of the institutions which service it" (Best and McIntyre 1961: 363). Bloomfield agreed that the local economy needed to be transformed but preferred gradual measures without large credit expansions. Regardless of who was right, Bloomfield did not share the same sentiments as those who have been raised and are living in the region.

Bloomfield conducted his analysis of central banking arrangements carefully. He avoided taking political sides, and no matter the type of arrangement the West Indies decided on or evolved to, his suggestions could still be applicable. The priority for the early years of the Central Bank was to increase their local assets to assist with development in the future: commercial banks, investments, and securities markets. Unlike his mission to South Korea, his concern over inflation was secondary. Bloomfield advocated for discretionary central banking to decide what is the best course of action. It was clear to Bloomfield that the Federation would start loosely on all fronts; the challenge for the West Indies would be integrating the economies. The Central Banks could assist in this operation naturally through cooperation, but more is needed. "It need hardly be said that this larger problem [that of economic integration and development] will pose a major challenge to students of West Indian affairs, to say nothing of the authorities themselves, for many years to come" (Bloomfield 1961: 36).

6. Despite Disintegration...

Bloomfield had to confront a new institutional framework during his trip to the West Indies. He recognized three unique complications of central banking for the Federation: *regional cooperation, arrangement change,* and *local enhancement*. Regarding Bloomfield's report, Lewis stated "It will be of enduring use to those who have to set up and work a system over the next few years."[21] Unfortunately, Jamaica left the Federation before the report was released.[22] "But when the page proofs were in my hands, the Federation of the West Indies was dissolved and my report was thus no longer directly relevant" (Bloomfield 1994: 15).

After the referendum, the editor attached a note to the publication, "Though much of the analysis and conclusions may now appear no longer directly relevant, the report is being published because of its contribution to the problem of central banking in a federal area" (Bloomfield 1961: 1). This statement could be taken a step further in that its contribution is vital for the West Indies, regardless of whether it is a federal area. His report touches on problems still relevant, such as being export-propelled and increasing local ownership, and the integration process has not died in the West Indies. Arthur Lewis (1965: 37) claimed, "But it is the inescapable destiny of Trinidad, British Guiana, and the other British islands to link their fortunes together. It will undoubtedly begin with confederation, rather than Federation, a common nationality, a common currency, and common representation abroad. Once established, the links will grow like ivy".

[21] Arthur Lewis to Arthur Bloomfield, 9 June 1961, box 1 (incoming correspondence), folder 1961, Arthur Bloomfield Papers, David M. Rubenstein Rare Book & Manuscript Library, Duke University

[22] The referendum was held on September 19, 1961. 54.1% of the votes were in favor of leaving the Federation (Faber 1964: 303).

Despite Lewis' efforts to salvage the Federation, the islands went their separate ways.[23] Prime Minister Adams wrote to Lewis in November of 1961, "If, as we all hope, the situation created by the Referendum in Jamaica can be used to make a new and more constructive start, this will in large measure be due to your personal efforts."[24] The Trinidadian delegation was not having it, and Williams famously stated, "Ten minus one equals zero" (Mordecai 1968: 426-427). Williams announced Trinidad was going at independence alone and that the other islands could join them in a unitary state if desired, and the Federation dissolved.[25]

Regardless of going their separate ways, the desire for integration and cooperation remains, and several organizations have been developed for this purpose. The Caribbean Community and Common Market (CARICOM) is a customs union representing fifteen Caribbean nations of all backgrounds, including all those in the Federation, was established in 1973. The "eight," except Barbados, joined together in the Organization of Eastern Caribbean States (OECS) in 1981, which acts as a confederation with harmonized policies. The CARICOM Single Market Economy (CSME) was established in 2001 to create a single economic space. The CSME includes most members of CARICOM; effectively, they are a common market with hopes of becoming a complete economic union with free movement of people across the region.[26] This might not be the "ivy" Lewis predicted, but seeds have been planted and show some life. On this point, Bloomfield

[23] Lewis' attempts from 1961-1965 are documented in a personal outcry, *The Agony of the Eight* (1965). Lewis' travel logs also indicate that he traveled to every island in the Federation at least once, plus British Guiana, in one month in October 1961. Travel itinerary, (no date), box 19, folder 4. W. Arthur Lewis Papers; Public Policy Papers, Department of Special Collections, Princeton University Library

[24] Grantley Adams to Arthur Lewis, 9 November 1961, box 2, folder 3. W. Arthur Lewis Papers; Public Policy Papers, Department of Special Collections, Princeton University Library

[25] Grenada was next to leave and later accepted Trinidad's invitation to join a union but was denied by Trinidad due to the financial burden (Lewis 1965: 11). The next four years were marked by conflict, just as the previous four. The Federation's plans never happened, and Barbados got its independence in 1966 which unofficially marked the end for the Federation. Throughout the 1970s and 1980s, Grenada, Dominica, St. Lucia, St. Vincent and the Grenadines, Antigua and Barbuda, and St. Kitts and Nevis also received their independence. Anguilla and Montserrat remain British Overseas Territories to this day.

[26] In a meeting in 2023, they agreed to the free movement of persons for skilled labor in the region.

(1961: 30) stated, “The problem of achieving genuine economic integration of the area would, however, still remain for some time to come.”

Today, four central banks exist in the area which once was the West Indian Federation: those of Jamaica, Trinidad, Barbados, and the OECS has a central bank known as the Eastern Caribbean Central Bank (ECCB). Assessing the degree of cooperation between the four central banks is difficult, but it is certainly not what Arthur Bloomfield envisioned. For example, Jamaica and Trinidad operate under a floating exchange regime, while Barbados and the OECS peg their currency to the dollar. However, with the further development of the CSME, cooperation and integration will rise.

Bloomfield’s episode in the West Indies was short, but considering the rest of his career it provides a useful illustration of money doctoring in the post WWII period. Bloomfield was not ideologically tied to one set of policies. In South Korea and Indo-China, he went against the typical strategies of Triffin in Latin America as his primary focus was not internal development. However, analyzing his efforts in the West Indies shows that his approach was much closer to Triffin’s and different than his previous missions. Money doctors of Bloomfield’s era allowed their strategies to be determined by the environment in which they were in, and Bloomfield did just that.

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