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.

1. Economists, Money, and Conflict

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,

[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 or 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, because of the importance of specific conditions every mission had some unique problems that 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*, it is useful to document the influences that shaped Bloomfield's thought and the trajectory of his career before he visited the West Indies. Given his attentiveness to specific conditions, it is also relevant to outline the unique environment of The West Indian Federation. Our objective is to provide an example of the continuity and

[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).

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. We do so by examining Bloomfield's influences and thinking related to central banking, the setting of the Federation, and Bloomfield's analysis of central banking for the West Indies.

2. Arthur Bloomfield's Views on Central Banking

After graduating from McGill University in 1936, Bloomfield went on to pursue a PhD in Economics at the University of Chicago where he was exposed to a variety of 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. Note that Viner's influence was not limited to banking and money. Although Bloomfield took Frank Knight's history of economic thought, his interest in the subject came mainly from the teaching and writings of Viner (Bloomfield 1994: 17).

Viner and Bloomfield shared many similarities. They were both Canadian-born economists trained at McGill University and the University of Chicago, and they shared similar 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).

Bloomfield could have stayed at McGill, but he opted for Chicago for two reasons. First, he "needed intellectually more stimulating teachers." Second, Bloomfield (1994: 4) also acknowledged that "an additional reason … was the presence on their staff of Jacob Viner, himself a Montrealer by birth, a graduate of McGill University (1914) … I had read and admired some of his writings and was anxious to meet him and study under him." Bloomfield took Viner's famous Economics 301 graduate course on price and distribution theory and, at Viner's request, became his research assistant.[5] "It was the beginning of a relationship that was to continue long after I left Chicago," Bloomfield (1994: 5) declared. Viner supervised his doctoral dissertation on capital movements, which blended international economics and the history of economic thought, Viner's two main fields of interest. 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).[6] It also allows 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).

Under the Kemmerer-type central banking, all countries received the same suggestions and policies; specific conditions did not matter. "The central recommendations of the Kemmerer

[5] Bloomfield (1992: 2057n15) even took Viner's "Economics 301 a second time because of the great stimulus it provided, and [he] had two courses with Viner in international economics."

[6] It should be noted that Bloomfield's views on international money doctoring were in line with the views defended by Triffin who was in charge of Latin America in the International Section of the Federal Reserve in Washington. Triffin's missions to Latin America broke with Kemmerer's principles (Maes and Pasotti 2021: 43–44; 50).

missions remained remarkably constant over time" (Eichengreen 1994: 113). It was thought that applying the gold standard would automatically solve monetary issues. "In the case of Kemmerer, a central element in his gospel was the gold standard, which he sought to spread around the world as a common language" (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 code had three directives: "currency stabilization through restoration or establishment of the gold standard; legislation restricting the right of note issue to a central bank and regulating activities of others...; and reform of the tax structure and fiscal system so as to increase revenues and enhance economic efficiency" (Eichengreen 1994: 113-114). 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. This post gave him the opportunity to travel domestically and abroad. It is during that time that he began visiting several developing countries "to advise on the establishment or reform of central banks and on other financial problems" (Bloomfield 1994: 9). 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 pioneered by Robert Triffin in his missions to Paraguay in 1943-1945.[7] Bloomfield and others soon followed,[8] and they provided central banks the power to foster economic development through influencing financial and foreign exchange markets (Helleiner 2003: 250-57). In doing so they gave special attention to specific country conditions. 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 order from the gold standard to Bretton Woods set the seeds for the new style of central banking. It also corresponded with the cold war and increased US involvement in the international sphere. The new hegemonic role of the US meant extending is relations with developing and developed countries alike, which required strategic missions of American foreign financial advisors (Helleiner 2003).

Like Viner, Bloomfield seems to have favored a discretionary approach of monetary policy (Bloomfield 1992: 2076; Alacevich and Asso 2009: 250). Viner 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 approach.[9] Thus, Viner (1962: 252–59) criticized Friedman's rule regarding a constant rate of increase in the money stock. Contrary to what Friedman claimed, Viner (1962: 245) argued that the rule "can be an instrument of tyranny, and discretion can be the means whereby economic freedom is promoted to the utmost extent possible consistent with respect for other values." For him, Friedman's position was problematic because he did not think that predicting the future path of the price level based on previous experience could be achieved successfully. Moreover, Viner explained, Friedman's approach

[7] Triffin and Bloomfield were from the same "school" of central banking, so it is no surprise that Bloomfield was Triffin's first choice to replace him in the West Indies.
[8] Bray Hammond, John Exter, Henry Wallich, David Grove, John Jensen, and John Williams (Urquidi 1991).
[9] Friedman and Viner disagreed on monetary policy, exchange rates, and the role of government (Irwin 2016).

entailed that price stability was the only objective of the Federal Reserve. Aside from the stabilization of the price level, the Fed had to foster high-level employment and economic growth. The relationship between the three variables was "highly complex, unstable through time, and in large measure unpredictable" (Viner 1962: 259). The only viable alternative was therefore "to use its best judgment each time that a decision of some sort is called for as to the relative weight to be given to the three objectives … the Federal Reserve had no choice but to use its authority in a discretionary manner" (Viner 1962: 259). Bloomfield apparently espoused similar views.

2.1. Bloomfield's Active Central Banking Approach

In laying out his approach of central banking in developing countries, Bloomfield expounded on his views on the relationship between central bank and government, and the specific role a central bank should play in developing countries.

Bloomfield (1957: 204) envisioned "a constructive role for central banks … in helping to maintain financial stability and to promote economic development." In the Kemmerer era, Bloomfield pointed out, central banks in developing countries were given "orthodox statutes and limited powers which permitted little scope for a monetary policy designed to promote economic development and internal stability and which were sometimes poorly adapted to the primitive financial structures of the countries concerned" (Bloomfield 1957: 191).

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 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 is does in developed countries" (Bloomfield 1957: 192). In underdeveloped countries, a good portion of the economy is in the informal sector. They might not be using cash or money; instead, barter transactions may dominate. Bloomfield asserts that an essential first step for newly established central banks is to assist in updating the financial system. This requires increasing the number of commercial bank branches in the informal sectors and establishing a market for government and financial securities. Updating the financial system increases the effectiveness of monetary policy and attracts investments. Also, there tends to be a variety of interest rates that are disconnected and do not move with each other, so integrating the interest rates is another vital objective. For example, if central bank policy is aimed at raising interest rates, some rates might rise and others might move independently of the desired direction under a disconnected system, thus harming the central bank's objective. By increasing the role of money in the economy, monetary policy can be more effective in controlling financial instability and establishing an environment for economic development.

Second, underdeveloped countries have a relatively smaller domestic sector and a concentration of exports in a few industries which make them more susceptible to externally generated fluctuations. 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. Such a policy might help a little, but the problem will still need to be solved, especially if the drop in foreign demand lasts. 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. “Fiscal policy … needs to be … closely coordinated with monetary policy” (Bloomfield 1957: 203). His conception is that of interdependence or complementarity between the two. An active central bank is paramount to enhance independence and credibility:

> 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. The central bank should also have the maximum degree of freedom to comment upon and to criticize the government's fiscal and over-all economic policies and objectives and to try to the best of its ability to convince the government of its views. Such freedom would also help to promote the bank's prestige in the community and its position of leadership in monetary matters, so necessary to make its policies effective. (Bloomfield 1956: 270)

Bloomfield modernized central banking in Indo-China and South Korea.[10] 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). The South Korean central bank, the Bank of Chosun, was established during the Japanese occupation and was being replaced by the Bank of Korea. 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. The board would create the necessary independence from the government and political interference. The power of the Bank of Korea was held within the board as they could enact their policies under the Bank's constitutional rules.

[10] We only mention his missions prior to the West Indies. He was also a consultant for the Central Bank of Malaysia in 1964 and for the Democratic Republic of the Congo in 1966 and 1967. The former was under the Ford Foundation and the latter the US Agency of International Development.

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). Along with creating a constitutional framework to establish the central bank's independence, Bloomfield advocated the type of policy recommendations he outlined in *Some Problems of Central Banking in Underdeveloped Countries* (1961). Particularly, he promoted assisting long-term development through channeling resources consistent with this goal, protecting the economy from external shocks, and establishing a market for government securities. However, these considerations were secondary to the more significant issue of inflationary control. “Banking reform, at this particular moment, must be valuated in large part in terms of the extent of the contribution that it can make to solving Korea’s immediate problem, namely, that of bring the present inflationary spiral under control” (Bloomfield and Jensen 1951: 161). The constitution from the Bloomfield mission has lasted till this day, even overcoming the Korean War.

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. Due to internal disputes, the countries wanted control over their monetary policy and currency. 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 seemed to have a grasp on these issues.

The environment of the West Indies was not the same as his previous missions and raised new considerations. First, the central banking arrangement would be a loose structure that granted considerable regional autonomy just as the political format. Cooperation between the monetary authorities was an obstacle for the West Indies Federation. It would be desirable under certain situations like reserve drains but not automatic. Secondly, preparations were needed for likely changes in this arrangement. The regions were to become more integrated over time, so it was expected for the structure of central banking to become more centralized. Lastly, foreign-owned commercial banks with foreign assets dominated the banking system. To increase the effectiveness of monetary policy and to assist development, the West Indies needed to raise local involvement in the financial network.

3. The West Indian Federation[11]

The historical and institutional conditions of the West Indian Federation were unique but essential for Bloomfield's analysis. Composed of small-island economies, strength through unity

[11] For a detailed account, see Mordecai (1968). See also Archibald (1962), Killingray (2000), Padmore (1999), and Wallace (1961).

was a sensible course of action. However, the need to sacrifice individual agendas and difficulties in breaking customary colonial mechanisms created irrational responses.

3.1. To Federate, or Not?

Although the West Indian Federation officially started in 1958, the idea of federating had existed since 1918 for the eastern Caribbean colonies (all those in the Federation except Jamaica) (Mordecai 1968: 30). In these areas, the Federation and West Indian identity were strong. Families migrated across these islands, especially toward Trinidad. Jamaica, being on the other side of the Caribbean Sea and over a thousand miles from Trinidad, did not have the same sense of West Indian nationalism and only became part of the federation movement in 1947 at the Montego Bay conference. The unofficial beginning of the West Indian Federation was 1947 because, at last, Britain wanted to eliminate the financial burden the colonies had become (Killingray 2000: 72–73).

Trinidad and Jamaica were well beyond the "eight" in size, development, and population. Six out of the eight were completely reliant economically and politically on their colonizer. They were dependent on grants-in-aid from Britain and had no experience of self-government. "This lop-sided distribution of power has created much difficulty in obtaining the compromises necessary for a healthy federal state" (Wallace 1961: 244). It is no wonder that Alexander Bustamante, the Premier of Jamaica in 1947, who played a pivotal role in the Federation's demise, viewed Britain's move skeptically. He charged the British government with dumping their responsibilities on Trinidad and Jamaica and setting up "The Federation of Paupers."[12]

[12] Proceedings of Montego Bay Conference, Colonial No. 218, HMSO 1948 pp. 20–27.

At the Montego Bay conference, leaders agreed with Bustamante to delay the beginning of the Federation until the smaller islands developed politically on their own. They needed to learn how to self-govern and establish modern government institutions. The problem, however, is that the delay only increased the differences in economic development between the two biggest islands and the rest, which would be an issue throughout the Federation's existence. 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 London Conference of 1956 and smaller conferences in the Caribbean during the same year set the early constitution for the Federation. The only source of revenue would be a mandatory levy from the islands,[13] the capital would be in Trinidad, and the constitution would remain unaltered for a grace period of five years. The Federal Government had no real powers. Norman Manley defeated Bustamante in the Jamaican elections of 1955 and was unwilling to leave Jamaica for the position of Federal Prime Minister, although he was the obvious candidate. The former Premier of Barbados, Grantley Adams, filled the position. The primary politicians of the Federation were now in place: Williams, Manley, and 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 Federation. Proper politics such as respectful negotiations, trust, and sacrifice were needed to bridge the gap between the competing views. Mordecai (1968: 158) claims, "This Federation was destroyed more by such failings among its leaders, than the issues that divided them."

[13] 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).

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."[14] 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 in 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."

3.2. Ocean's Apart

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 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. 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.

Jamaica had a development program and feared interruption by a strong federation. A customs union has two sides: a free trade area and a common external tariff. Jamaica struck oil in the 1950s and hoped to maintain tariffs on Trinidadian oil so their new industry could gain ground without

[14] The Plantation School Economists of the Caribbean use this term. For reference, see Best and Polanyi Levitt (2009).

competition. To no surprise, Williams of Trinidad opposed the Jamaican refusal toward a customs union. Eventually, Manley dropped his resistance to free trade, but this critical conflict created a wedge between the two leaders. However, a common external tariff was more difficult for Jamaica to agree upon. This would be more disruptive to its development program as the country maintained high tariffs on certain goods to help grow its manufacturing industries (Archibald, 1962: 237).

At the time, Trinidad received relatively high levels of immigration from the smaller, less-developed islands. Williams and the Trinidadian officials feared that immigration into Trinidad could potentially reach extreme levels with the coming federation. However, with a strong central government and a customs union, the gap in income between Trinidad and the smaller islands could close as the economies integrated. So, a centralized Federation would potentially relax immigration. Under a decentralized federation, integration would be slower, and the gap in incomes would widen, thus making migration more disruptive. Customs union and freedom of movement were inseparable for Trinidad. Williams stated, "The Trinidadian Government would be no party to freedom of movement as early as possible, and to freedom of goods as late as possible."[15] In short, the Jamaican and Trinidadian views were incompatible.

Trinidad and Jamaica offered their proposals for the federal constitution following a series of questionable moves from the Prime Minister in 1959.[16] They wanted clear distinctions between the power of the units and the Federal Government: the power of the units was defined by the

[15] Chiefs ministers press conference, Aug. 20 1958. Also, found in Mordecai (1968: 126)

[16] Although it was decided the constitution would not be revisited until five years from 1958, Trinidad and Jamaica felt the need for a change due to a series of actions from Prime Minister Adams. In early 1957, Adams granted permission for US naval bases to remain in Chaguaramas, Trinidad, without the consent of Eric Williams or Trinidad (Mordecai 1968: Ch. 4). In September of 1958, Adams alarmed Jamaica by threatening the use of a Federal Government retroactive income tax (Mordecai 1968: 127-129). Adams continued to take shots at both leaders during a speech in New York, claiming that Jamaicans were illiterate, and Trinidadians were lazy and would rather sing calypso than do any hard work (Mordecai 1968: 187).

Reserve List, Federal powers in the Exclusive List, and the Concurrent List outlined shared powers. Manley advocated that the customs union should be reached in stages, and eventually when there was a complete customs union, there should be some goods all territories have the right to protect. Income tax was a total no-go for Manley, and he proposed that the center's revenue would have to come from other sources and would be limited.[17]

On the other hand, Trinidad was concerned with the center's ability to finance. It favored a federation redistributing funds from the more prosperous islands to the poorer to help jumpstart their development. Williams detailed his proposal for the federation in *The Economics of Nationhood* (1959). As stated, Trinidad had closer ties with the smaller islands, so 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). In the end, this would make all the islands stronger through unity. There would be no restrictions nor delays in a customs union and freedom of movement throughout the region. In the proposal, the Federal government had the power to tax incomes and capital.

Williams's *Economics of Nationhood* was not taken seriously by the rest of the Federation. Its grand plans of raising $143 million for yearly expenditures were naïve and impossible. The vision of Jamaica was already public, and the *Economics of Nationhood* was its complete inverse. Also, there were rumblings in Jamaica about leaving the Federation if it meant sacrificing their development. The crux of the problem was that Trinidad and Jamaica were not rich, so financing the development of eight islands would be difficult and it meant considerable sacrifices on their parts. The smaller islands criticized the document for replacing Britain with Trinidad and Jamaica

[17] The Jamaican proposal for a loose West Indian Federation is detailed in the Government Ministry Papers no. 3 (1959) and no. 18 (1960).

as their colonial rulers (Mordecai 1968: 166-167).[18] The Jamaican proposal was also viewed unfavorably among the other islands, but West Indians feared embarrassing Manley, for they knew of Jamaica's anti-federation movements (Mordecai 1968: 159–160).

On May 31, 1960, as debates over the approach to the Federation were in full swing, Alexander Bustamante and his political party, the Jamaica Labour Party, announced their campaign against the Federation.[19] Bustamante had been critical of the union since the start, but now his stance took on a political life of its own. The agreements that would come about all greatly favored the Jamaican view of a loose Federation. Although Bustamante originally shared this common view, he never stopped his attack. Upon Bustamante's announcement, 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.[20] 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.

Williams and Manley began meeting independently due to their frustration with Prime Minister Adams, who accused them of conspiring against him. From August 7–8, 1960, Manley and Williams met in Antigua and came to a secret agreement known as the Antigua Pact. The agreement was a win for Jamaica; there would be no federal income tax for the time being.

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[18] Ironically, the smaller islands supported the *Economics of Nationhood* after Jamaica left, but Trinidad could not afford it.

[19] The trigger had been Adams's comments, the publication of the *Economics of Nationhood*, and the poor outcome of the Inter-Governmental Conference a few weeks before (Mordecai, 1968, p. 221)

[20] The next Jamaican elections were to be held in 1964; the Federation was to gain independence in March of 1962. If an active party were threatening and campaigning on an anti-federation stance while a part of the Federation, Jamaica would be ineffective in its duties as a member of a newly formed nation. Then, if this party won in 1964, there would be even more consequences. So, Manley believed the decision about federating needed to be finalized and concrete (Mordecai 1968: 226-227)

Customs union would come into place gradually, and so would freedom of movement of persons.[21] The removal formula for items on the Reserve List to federal control still needed to be solved; Jamaica wanted permanent veto power, and Williams stated he disagreed (Mordecai 1968: Ch. 15).[22] Because he had not been involved, Adams was upset and deliberately delayed the next conference among Federal officials (Mordecai 1968: 257-258), which would not take place until May of 1961. The wait irked both Manley and Williams as it opened the door for Bustamante to continue his attack.

The Inter-Governmental Conference in May and the London Conference in May-June finalized the proposed constitution. These two conferences confirmed the Jamaican 'victory' but were considered failures.[23] The new constitution set the date of independence for the West Indian Federation as May 31, 1962. The previous points of conflict were 'resolved.' There would be no reserve list, which did not go well with Williams. 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.[24] Income tax and industrial development would be on the concurrent list but could be shifted to federal control with approval from the units. The approval formula still granted Jamaica permanent veto power as it was based on population. Freedom of movement and customs union would be adopted incrementally, and full adoption would occur in nine years (Mordecai 1968: 374–76). After nine years, the Federal government would be powerful with larger revenues from the complete customs union. Despite this, Trinidad and the "eight" were unhappy due to the Jamaican

[21] For Williams, customs union and freedom of movement must be tied together.
[22] Manley and Williams have opposing accounts of these events. Manley claims Williams agreed, and Williams claims he did not. This would end up shattering their relationship.
[23] 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.
[24] 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)

domination of the negotiations. They claimed they would not accept the constitution in the future but chose to stay quiet for the public to not risk a failed referendum.[25]

4. 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*.

Bloomfield joined the faculty of the University of Pennsylvania in 1958 after a seventeen-year career as a research economist for the New York Federal Reserve. 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 who advised on the establishment and modernization of central banking and financial policy in South Korea, South Vietnam, Laos, and Cambodia. He also visited and studied twelve European central banks from 1957 to 1958. Bloomfield was a part of Government foreign policy commissions that included the Wilbur Commission on Indo-China and the Randall Commission.

Also, he was no stranger to conflict. Bloomfield served in Korea during the Korean War (1950-1951); his three missions were in 1949, 1951, and 1956. His second trip was during a war zone where Bloomfield "was put in military uniform and given the rank of assimilated colonel" (Bloomfield 1994: 11). Bloomfield's missions to Indo-China were in 1953, 1954, and 1955, during a period of heighted tensions 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). As an economist for various commissions during the Cold War, Bloomfield confronted contentious political landscapes. In the West Indies, tensions were tight as Jamaica was threatening

[25] Though they claimed they would reject the constitution, who knows what really would have happened.

to leave the Federation, agreements were made behind closed doors, and politicians accused each other of personal sabotage.

Lastly, he aimed to offer a flexible agenda applicable to various political associations and would refrain from attempting to give his opinion on what association was best. Jamaica and Trinidad had competing views, and the smaller islands felt like pawns (Lewis 1965: 9). The last thing the Federation needed was more 'chefs in the kitchen,' so to speak, and Bloomfield's analysis would not ruffle the constitutional negotiations. Bloomfield was a foreigner not employed by any political institution; therefore, he had no cards in the game and could offer unbiased advice. To use Mary S. Morgan's (2008) terminology, Bloomfield was on an advisory mission seeking to persuade the West Indian authorities on how to deal with certain challenges. 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: 257-263). 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."

4.1. Monetary 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. 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. The currency boards had no real monetary authority, and the system was automatic. They 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.

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, which are vital for development as they attract savings and increase the effectiveness of monetary policy. Also, 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 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 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.[26] 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.

4.2. Bloomfield's Analysis

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

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

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.[27] 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 has been interpreted to mean that central banks in the region must be 'centrally incorporated' and not need a common currency. Thus, a Federal central bank, under the guidance of the Federal Board, was needed to achieve the goal of 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

[27] 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.

Monetary Fund (IMF) and the World Bank. Recall that one of the reasons for federating was to gain international strength, and a central bank representing the whole region could do that. 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, 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 2.1, a combination of 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.[28] These restrictions would help keep resources within the country and therefore reduce the constraints on the balance of payments created by the deficit.

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

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 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. Also, given the relationship the two large units have with the Center, they might not be willing to let them have a final say.

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 of various alternatives, including a highly centralized central bank 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 of central banking in the West Indies. Bloomfield disagreed, for both systems were envisioned as having regional autonomy, but the functions became centralized quickly. 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, as mentioned with the US and Germany. 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. 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 just the individual West Indian territories but rather the total of all their overseas branches together.[29] 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 considerably 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

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

would more likely deposit reserves to central banks in the West Indies. The central bank will then "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. As 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 the island or region. This is an example of Bloomfield's view on the complementarity between monetary and fiscal policies.

Common to all underdeveloped countries, the West Indies were exposed to externally generated shocks. However, this region was, and still is, even more susceptible than most underdeveloped nations. The movement of incomes was largely determined by outside demand. As mentioned, counter-cyclical monetary policy cannot stabilize an economy from such shocks. Bloomfield proposed combining monetary and fiscal policies during booms and busts so that the economy builds a surplus during booms for use during contractions to help smooth the business cycle.

The West Indies central banks needed to increase their market for government and financial securities to attract domestic and foreign investment. This is important for development purposes and the area's overall economic integration. 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. Local asset requirement ratios were a new policy that Bloomfield had yet to mention until the West Indies.

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. Another 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 is 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).

Lewis claimed Bloomfield's report "was exactly what we had hoped to have."[30] 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

[30] 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.

shocks. Also, there was agreement that central banks should be equipped with wide-ranging tools including foreign exchange controls.

However, they were at odds in the critical junction of central bank priorities. For Bloomfield, priority number one was internal financial stability. The promotion of development and external stability were 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." 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.[31] 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).

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

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

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 the 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. Likewise, it would be difficult for West Indian intellectuals on the cusp of independence to overlook the continued subordination of their people.

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. It was clear to Bloomfield that the Federation would start loosely on all fronts; the real 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).

5. Despite Disintegration...

Bloomfield’s approach to central banking was to put specific conditions first, which made his methods continuous and flexible. His career is an illustration of the generation of US money doctors in the post-war period. 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."[32] Unfortunately, Jamaica left the Federation before the report was released.[33] "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. Island economies, linked with a shared history and hindered by their size, will naturally cooperate in various ways. 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".

Despite Lewis' efforts to salvage the Federation, the islands went their separate ways.[34] 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

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[32] 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

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

[34] 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

large measure be due to your personal efforts."[35] 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.[36]

Despite 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.[37] This might not be the "ivy" Lewis predicted, but seeds have been planted and show some life. On this point, Bloomfield (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

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[35] 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

[36] 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). Now, the Federation was down to seven. 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.

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

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.

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